CBSE EXAMINATION PAPER-2024

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.

'If there is a fixed place for everything and it is present there, then there will be no hindrance in the activities of business/factory.'

The principle of management that is highlighted in the above statement is :

[1 Marks]

(A) Order

(B) Discipline

(C) Esprit de corps

(D) Unity of direction

Explanation:

The principle of 'Order' in management means that there should be a fixed place for everything and everyone, ensuring that resources and materials are easily accessible and organized. This prevents confusion and delays, thereby avoiding hindrance in business or factory activities. The statement highlights the need for proper arrangement and placement, which directly aligns with the principle of Order.

Question 2.

Prakhar Ltd. is the manufacturer of life-saving drugs. There was an outbreak of flu two years back that spread quickly and affected many people. Prakhar Ltd. made huge investment on research and development and was able to develop a medicine for the same. The medicine was very effective in controlling the flu and now it has become a necessity for the patients. As a result, the demand for the medicine increased manifold. Considering the demand, the company increased the price of the medicine. The government observed the situation. Since it was the only available medicine to combat flu, the Government declared it as an essential medicine and regulated its price to make it affordable for the public.

From the following, identify the factor(s) affecting the determination of price discussed in the above case :

(i) Product cost

(ii) Marketing methods used

(iii) Utility and demand

(iv) Government and legal regulations

[1 Marks]

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

(B) (i), (ii) and (iii)

(C) (iv) only

(D) (iii) and (iv)

Explanation:

In the given case, the demand for the medicine increased significantly due to its effectiveness and necessity (utility and demand). Hence, factor (iii) is relevant. Also, the government intervened to regulate the price because it was an essential medicine, indicating government and legal regulations affected the price determination, which is factor (iv). There is no specific mention of product cost or marketing methods affecting the price in this context. Therefore, the correct factors are (iii) Utility and demand and (iv) Government and legal regulations.

Question 3.

'The management should not close its ears to any constructive suggestions made by the employees but reward them for their suggestions which results in substantial reduction in costs.'

Which principle of scientific management is discussed in the above statement ?

[1 Marks]

(A) Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity

(B) Harmony, Not Discord

(C) Science, Not Rule of Thumb

(D) Cooperation, Not Individualism

Explanation:

The statement emphasizes the importance of management listening to employees' constructive suggestions and rewarding them, which promotes teamwork and mutual cooperation. This aligns with the principle 'Cooperation, Not Individualism' from scientific management, highlighting the need for harmonious collaboration between management and workers rather than working individually or in conflict.

Question 4.

Read the following statements : Assertion (A) and Reason (R). Choose the correct alternative from the options given below :

Assertion (A) : While taking dividend decision, the extent of retained earnings

also influences the financing decision of the firm.

Reason (R) : The firm does not require funds to the extent of re-invested retained earnings.

[1 Marks]

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

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

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

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

Explanation:

Retained earnings are the portion of net profit that a firm reinvests into the business instead of distributing as dividends. Because these earnings are internally generated funds, the firm does not need to raise external funds for that amount. Hence, the firm does not require funds to the extent of re-invested retained earnings, making both the assertion and reason true, with the reason correctly explaining the assertion.

Question 5.

As per the Consumer Protection Act, 2019, the consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or a service. The consumer right being referred to here is _____ :

[1 Marks]

(A) Right to be Heard

(B) Right to be Informed

(C) Right to Seek Redressal

(D) Right to Safety

Explanation:

The Consumer Protection Act, 2019 ensures that consumers can voice their grievances and be heard when they are dissatisfied with a product or service. This corresponds to the 'Right to be Heard', which guarantees consumers the opportunity to file complaints and express their concerns before appropriate authorities.

Question 6. Which of the following options denotes the correct sequence of steps in the process of 'Organizing' function of management ?

[1 Marks]

(A) Departmentalisation → Identification and division of work → Establishing authority and reporting relationships → Assignment of duties

(B) Identification and division of work → Departmentalisation → Assignment of duties → Establishing authority and reporting relationships

(C) Departmentalisation → Identification and division of work → Assignment of duties → Establishing authority and reporting relationships

(D) Identification and division of work → Establishing authority and reporting relationships Assignment of duties → Departmentalisation

Explanation: The correct sequence of steps in the organizing function of management begins with the identification and division of work to clarify what tasks need to be done. Next is departmentalisation, where similar tasks are grouped together to form departments. Following this is the assignment of duties, where specific tasks are allocated to individuals or groups. Finally, establishing authority and reporting relationships defines the hierarchy and communication channels within the organization. This logical flow ensures that work is structured efficiently.

Question 7. Which of the following is not a function of middle level management ?

[1 Marks]

(A) To interpret the policies framed by the top management

(B) To coordinate the activities of different departments

(C) To ensure that their department has the necessary personnel

(D) To assign necessary duties and responsibilities to the personnel in their departments

Explanation: Middle level management primarily focuses on interpreting policies framed by top management, coordinating activities of different departments, and ensuring their department has the necessary personnel. However, assigning specific duties and responsibilities to the personnel is typically the function of lower-level (or supervisory) management rather than middle-level management.

Question 8.

The level(s) of packaging shown in the picture given below is/are :

[1 Marks]



(A) Primary and transportation packaging levels

(B) Primary and secondary levels

(C) Primary level only

(D) Primary, secondary and transportation packaging levels

Explanation: The three main levels of packaging include: 1) Primary packaging which directly contains the product, 2) Secondary packaging which groups several primary packages together for sale or convenience, and 3) Transportation packaging which protects the product during distribution and handling. If the picture shows packaging that includes all three levels, then the correct answer is 'Primary, secondary and transportation packaging levels'.

Question 9. Match the explanation of different sources of external recruitment given in Column I with the sources given in Column II. Choose the correct option from the following :

[1 Marks]

	Column I		*Column II*
1.	Websites designed and dedicated for the purpose of providing information about both, job seekers and job openings	(i)	Casual Callers
2.	Liaison of business houses with the educational institutes to recruit qualified personnel for various jobs	(ii)	Web Publishing
3.	Notice placed on the notice-board of the enterprise specifying the details of the jobs available	(iii)	Campus Recruitment
4.	Database of unsolicited applicants in the office, prepared and screened to fill vacancies	(iv)	Direct Recruitment

(A) 1-(i), 2-(iii), 3-(iv), 4-(ii)

(B) 1-(ii), 2-(iv), 3-(i), 4-(iii)

(C) 1-(iii), 2-(i), 3-(iv), 4-(ii)

(D) 1-(ii), 2-(iii), 3-(iv), 4-(i)

Explanation: The correct matching pairs each explanation in Column I with the appropriate source of external recruitment in Column II. Option '1-(ii), 2-(iii), 3-(iv), 4-(i)' correctly aligns the given explanations to their respective recruitment sources based on standard definitions and context of external recruitment methods.

Question 10. When the products are sold by a manufacturer to the end consumer without involving any intermediary, the type of channel of distribution used is :

[1 Marks]

(A) Zero level channel

(B) One level channel

(C) Two level channel

(D) Three level channel

Explanation: A zero level channel is a distribution channel where the manufacturer sells the products directly to the end consumer without involving any intermediaries like wholesalers or retailers. This direct selling method eliminates middlemen, making the distribution channel shortest.

Question 11.

Ashok Industries Ltd. is a company manufacturing components for automobile industries. In this company, standards have been set for every manufacturing activity including standardisation of process, raw material, time, product, machinery and methods which must be adhered to during production. This has been done to bring excellence in quality of the materials produced. The foreman of the company, Mehra, has designed the jobs of the workers in such a manner that unnecessary movements are eliminated and it takes less time to complete the jobs efficiently. He has also scientifically analysed the duration and frequency of rest intervals that should be provided to the workers in the factory so that they can regain stamina and work efficiently.

Out of the following, which technique of scientific management has not been discussed in the above paragraph ?

[1 Marks]

(A) Method study

(B) Standardisatrion and simplification

(C) Fatigue study

(D) Motion study

Explanation:

The paragraph mentions standardisation of processes, materials, and methods which refers to Standardisation and simplification; elimination of unnecessary movements which relates to Motion study; and analysis of rest intervals to prevent fatigue which corresponds to Fatigue study. However, it does not discuss Method study, which typically involves analyzing and improving the ways of doing a job in detail. Hence, Method study is the technique not discussed in the paragraph.

Question 12. Prashant started a grocery retail business. Due to increasing popularity of online shopping, the degree of competition is very high in this business. His requirement of working capital will be high as he would have to hold larger stocks of finished goods to meet urgent orders from customers. The factor affecting the requirement of working capital is :

[1 Marks]

(A) Availability of raw material

(B) Inflation

(C) Scale of operations

(D) Level of competition

Explanation: The requirement of working capital increases when the level of competition is high. This is because businesses like Prashant's grocery retail need to hold larger stocks of finished goods to meet urgent customer demands and stay competitive. Therefore, the 'Level of competition' directly affects the amount of working capital needed.

Question 13.

Aparna and Priyanka are working in ‘Shreya Industries’, a company dealing in readymade garments for women. Each of them was assigned the responsibility of producing 10 dresses each within 5 days at a cost of ₹ 1,000 per dress. Aparna was able to produce 10 dresses at a cost of ₹ 1,100 per dress within 5 days, whereas Priyanka was able to produce only 8 dresses at a cost of ₹ 900 per dress in 5 days.

Which of the following statements is correct with respect to the above ?

[1 Marks]

(A) Aparna is efficient but Priyanka is effective.

(B) Both Aparna and Priyanka are effective.

(C) Both Aparna and Priyanka are efficient.

(D) Aparna is effective but Priyanka is efficient

Explanation:

Effectiveness means achieving the set goal or target. Aparna produced all 10 dresses as assigned, hence she is effective. Efficiency means producing with minimum cost or resources. Priyanka produced fewer dresses than the target but at a lower cost per dress (₹ 900 compared to ₹ 1,100 by Aparna). Therefore, Priyanka was more efficient in terms of cost, while Aparna was effective in meeting the production target.

Question 14.

Statement I : As per the Consumer Protection Act, 2019, the District Commission has a jurisdiction to entertain complaints where value of goods or services paid as consideration does not exceed ₹ 10 crores.

Statement II : If any of the parties is not satisfied by the order of the District Commission, they can appeal against such order to the State Commission on the grounds of facts or law within a period of forty-five days from the date of order.

Choose the correct option from the following :

[1 Marks]

(A) Both the Statements are false.

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

(C) Both the Statements are true.

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

Explanation:

As per the Consumer Protection Act, 2019, the District Commission can entertain complaints where the value of goods or services paid as consideration does not exceed ₹ 1 crore, not ₹ 10 crores. However, the statement says 10 crores which is incorrect. For appeals, parties aggrieved by the order of the District Commission can appeal to the State Commission but within 30 days from the date of order, not 45 days. Therefore, Statement I is false and Statement II is false as per the given details. But since the question requires choosing the best correct option from the given, and the amount in Statement I is generally the limit for State Commission (₹ 10 crores), Statement I is incorrect. Hence the correct option is "Statement I is true and Statement II is false." is actually incorrect given the exact limits. So the better clarification is both statements are false. But usually, the District Commission jurisdiction limit is ₹ 1 crore and State Commission appellate period is 30 days. Therefore, the correct option is that Statement II is false and Statement I is true, considering the values as commonly known from the Act for District Commission jurisdiction (₹ 10 crores is actually for State Commission). Therefore, Statement I is false due to incorrect monetary limit. Final correct option: Statement II is true and Statement I is false.

Question 15.

Statement I : Shareholders' funds involve commitment regarding the payment of returns or the repayment of capital.

Statement II : Debt is considered to be the cheapest of all the sources of funds and tax deductability of interest makes it still cheaper.

Choose the correct option from the following :

[1 Marks]

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

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

(C) Both the Statements are true.

(D) Both the Statements are false.

Explanation:

Statement I is false because shareholders' funds do not involve a legal obligation to pay returns (like dividends) or repay the capital; returns depend on profits and repayments happen only if the company is wound up or shares are bought back. On the other hand, debt involves a fixed commitment to pay interest and repay principal. Statement II is true because debt is typically cheaper than equity due to lower risk for lenders and the interest expense on debt is tax-deductible, reducing the effective cost of debt for the company.

Question 16. In T-pex Ltd, a company trading in stationery items, it was decided that all purchases would be made from AK Ltd. on credit basis with credit period of at least 7 days. This was done because no other company was offering credit facility. Which type of plan has been referred to in the above paragraph ?

[1 Marks]

(A) Rule

(B) Strategy

(C) Policy

(D) Method

Explanation: The situation describes a guideline or principle followed by the company regarding purchases, specifically to buy from AK Ltd. on credit with a credit period of at least 7 days. This is a policy because it sets a general direction or framework for decision making, rather than a detailed strategy, method, or a strict rule.

Question 17.

Techpack Ltd. is a company in Hyderabad that produces and sells packaging material to various industries across the nation in a B2B e-business form. It is a dynamic company. Over the years, due to rising concerns for climate change and shift of preferences of Indian customers towards environment-friendly products, the company has shifted to the production of biodegradable packaging material. Moreover, due to its digital transformation, the company has tremendously benefited as its customers could place orders and make cashless payments in various online modes.

The dimensions of business environment discussed in the above case are :

[1 Marks]

(A) Social and political environments

(B) Social and technological environments

(C) Economic and social environments

(D) Technological and economic environments

Explanation:

The company shifted to biodegradable packaging due to changing customer preferences and concerns about climate change, which relates to the social environment. Additionally, the use of digital transformation enabling online orders and cashless payments reflects changes in the technological environment. Therefore, the relevant business environment dimensions are social and technological environments.

Question 18.

Which of the following statements is correct for ‘short term investment decisions’ ?

[1 Marks]

(A) They are irreversible except at a huge cost.

(B) These decisions affect the liquidity as well as profitability of a business.

(C) They affect the earning capacity of a business in the long run.

(D) These decisions normally involve huge amounts of investment.

Explanation: Short term investment decisions involve decisions related to current assets and working capital management. These decisions directly impact both the liquidity and profitability of a business, as they manage cash flow and ensure enough resources for day-to-day operations without compromising earning capacity.

Question 19.

'V.K. Public School' had a vacancy for an English teacher for Class XII. After preliminary screening of the applications, they shortlisted 10 candidates. Now, the school management asked the candidates to give a demonstration lesson related to the curriculum of Class XII. The purpose of these demonstration lessons was to measure the existing teaching skills of the candidates and proficiency in the area of profession.

Identify the type of selection test used by 'V.K. Public School' in the above case :

[1 Marks]

(A) Trade test

(B) Intelligence test

(C) Aptitude test

(D) Personality test

Explanation:

A trade test is used to assess the practical skills and proficiency of a candidate in a specific profession or trade. In this case, the candidates are asked to give a demonstration lesson to evaluate their teaching skills and subject knowledge, which fits the definition of a trade test. The other options like Intelligence test, Personality test, and Aptitude test do not focus directly on the practical skills of teaching.

Question 20. The purpose of the principle of 'unity of command' is that :

[1 Marks]

(A) It avoids dual subordination.

(B) It promotes a team spirit of unity and harmony among employees.

(C) It concentrates decision-making authority at the top level.

(D) It subordinates individual interests to organizational interests.

Explanation: The principle of unity of command states that an employee should receive orders from one superior only. This helps avoid confusion and conflicts that arise from having more than one boss, also known as dual subordination.

Section B

Question 21.

State any three factors affecting financing decision.

[3 Marks]

Answer: Factors affecting financing decision:

1. **Cost of Capital:** It is important to consider the cost of different sources of finance. The financing decision aims to choose the source which provides funds at the lowest cost.
2. **Risk:** Different financing sources carry different levels of risk. A firm must consider its risk appetite before deciding on the finance mix.
3. **Nature of Business:** The type and scale of business affect financing decisions. For example, a manufacturing business may require long-term finance, while a trading business may rely more on short-term finance.

> **Key Points: Cost of capital - Risk - Nature of business**

Question 22.

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

[3 Marks]

Answer: Protective Functions of Securities and Exchange Board of India (SEBI):

(a) **Protects Investor Interests:** SEBI ensures that investors are not cheated by companies or intermediaries by regulating the securities market and enforcing strict disclosure norms.
(b) **Prevents Malpractices:** It regulates and prohibits fraudulent and unfair trade practices like insider trading, price rigging, and market manipulation to maintain market integrity.
(c) **Regulates Intermediaries:** SEBI monitors and controls market intermediaries such as brokers, merchant bankers, and mutual funds to ensure they follow fair practices and act responsibly.
These functions help to create a safe and transparent investment environment for all market participants.

> **Key Points: Protects investor interests - Prevents malpractices like insider trading - Regulates market intermediaries**

Question 23.

Dhiren Patel is the Chief Executive Officer of a milk processing company. He is a very effective manager. He is quite organized in his work and exhibits exemplary behaviour.

Dhiren Patel insists that all managers and subordinates in the organization should follow a chain of authority that runs from top to bottom for all communication purposes.

Identify and explain the general principle of management highlighted in the above case.

[3 Marks]

Answer: Principle of Management: Unity of Command

The case highlights the principle of **Unity of Command**. According to this principle, every employee should receive orders and instructions from only one superior or manager. It means there should be a clear and singular chain of authority from top to bottom in the organization.

In the given case, Dhiren Patel insists that all managers and subordinates must follow a chain of authority for communication, which ensures that an employee reports to only one manager. This helps to avoid confusion, conflict of instructions, and improves organizational discipline and efficiency.

Thus, unity of command helps in maintaining order and smooth functioning in the organization by establishing clear lines of authority and responsibility.

> **Key Points: Unity of Command principle - Clear chain of authority from top to bottom - Avoids confusion and conflict in communication**

Question 24.

Explain 'Democratic (Participative) style of leadership'.

[3 Marks]

Answer: Democratic or Participative style of leadership means that the leader involves the group members in decision-making. In this style, the leader encourages participation, listens to ideas and suggestions, and considers the opinions of team members before making a final decision. It creates a sense of belonging and motivates employees to work together towards common goals. This style helps in building good relationships, improving team spirit, and increasing creativity and productivity as everyone feels valued and responsible.

> **Key Points: Leader involves team in decisions - Encourages participation and suggestions - Builds motivation and team spirit**

Question 25.

'An intelligent manager should make use of positive aspects of informalchannels and minimise the use of negative aspects of this channel of communication.'

In the light of the above statement, explain any one positive and any two negative aspects of informal channels of communication.

[3 Marks]

Answer: (a) Positive aspect of informal channels: Informal communication is fast and flexible, allowing employees to share information quickly without formal procedures, which helps in building good relationships and improving morale.

(b) Negative aspect 1: Informal communication may lead to the spread of rumors and inaccurate

information, which can cause confusion and misunderstandings among employees.
(c) Negative aspect 2: It can also bypass formal authority and channels, resulting in lack of control and possible conflicts within the organization.
Thus, an intelligent manager should encourage the positive aspects such as quick information flow and good interpersonal relationships, while minimising negatives by verifying information and maintaining formal communication when necessary.

Key Points: Fast information sharing - Spread of rumors - Bypassing formal authority

Question 26.

A popular magazine published an article on job cuts across the globe. It stated that due to reasons like cost cutting, market conditions and technological advancement, almost two lakh people in the IT sector have lost their jobs during the last year.

This was read and discussed by employees of Techwire Ltd. a software development company in India. It created a lot of unrest among them and their morale came down. The productivity of the employees started declining. The Chief Executive Officer of the company observed the insecurity among the staff about their jobs. Understanding his role as the leader, he wrote an e-mail to all the employees assuring them about the stability of their future income and job. This communication gave the employees psychological and emotional satisfaction and showed positive results in terms of their performance. The Chief Executive Officer was able to make the subordinates act in a desired manner to achieve the organizational goals, without giving them any monetary incentives.

(i) Identify and explain the incentive used by the Chief Executive Officer to improve the performance of the employees.

(ii) State the need of the employees as per Maslow's Hierarchy of Needs theory which was satisfied in the above case.

[3 Marks]

Answer: (i) The Chief Executive Officer used a non-monetary incentive called **job security** to improve employee performance. By assuring employees about the stability of their jobs and future income through an e-mail, he reduced their fears and insecurity about losing employment. This provided psychological and emotional satisfaction, which motivated employees to perform better without any monetary rewards.
(ii) According to Maslow's Hierarchy of Needs, the employees' **safety needs** were satisfied in this case. Safety needs include job security, stability, and protection from threats. By assuring the employees that their jobs were safe, the CEO fulfilled their safety needs, which helped improve their morale and productivity.

Key Points: Non-monetary incentive used was job security- Assurance reduced

employees' insecurity and fear- Safety needs of Maslow's theory were fulfilled

---

Section C

Question 27.

Anmol Pathak, a restaurant owner, observed that over a period of one year, the costs of raw material, transportation and packaging had increased. As a result the total cost had increased by 15%. He thought that it was not easy to keep a check on each and every activity in the organisation, so he decided to study deeply the increase in these three costs. He prepared a table of acceptable and actual increase in cost as given below :

Explain the two concepts related to a function of management that will be used by Anmol Pathak to analyse the deviations.

[4 Marks]

S.No.	*Expense*	*Acceptable increase in cost*	*Actual increase in cost*
1.	Raw material	4%	7%
2.	Transportation	10%	8%
3.	Packaging	10%	20%

Answer: Anmol Pathak observed that the costs of raw material, transportation and packaging increased over one year, leading to a total cost increase of 15%. To manage costs effectively, he decided to analyze the increase in these three key areas. By preparing a table showing both acceptable and actual increases in costs, he could identify which costs exceeded expectations. This detailed study helps him to focus on specific areas where cost control measures are necessary. Such analysis is important as it allows the restaurant to improve budgeting and maintain profitability by controlling activities that contribute most to cost rise.

Key Points: Anmol Pathak noted 15% total cost increase - He analyzed raw material, transportation, packaging costs - Prepared table showing acceptable vs actual increases for better cost control

Question 28.

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

(i) Instruments

(ii) Liquidity

(iii) Expected returns

[4 Marks]

Answer: (a) Meaning of Money Market: The Money Market is a market for short-term funds, where financial instruments with high liquidity and short maturities are traded. It helps businesses and governments meet their short-term funding needs.

(b) Difference between Capital Market and Money Market:

(i) Instruments: Money Market deals with instruments like Treasury Bills, Commercial Papers, Certificates of Deposit. Capital Market deals with long-term securities such as shares, debentures, bonds.

(ii) Liquidity: Instruments in Money Market are highly liquid as they have short maturities. Capital Market instruments are less liquid due to longer maturity periods.

(iii) Expected Returns: Money Market instruments offer lower returns because they are safer and short-term. Capital Market instruments typically offer higher returns as they involve higher risk and long-term investment.

> **Key Points: Money Market is for short-term funds - Money Market instruments include Treasury Bills and Commercial Papers - Money Market instruments have high liquidity and lower returns compared to Capital Market**

Question 29.

Ishaan wanted to buy five litres of mustard oil. Before he went to the market, he surfed the Internet to find out about the various brands of mustard oil available in the market. On visiting the retail shop, he could find five different brands of mustard oil but to his surprise, only one of them had 'FSSAI' certification mark, which he decided to buy. He read the label on the oil container to find out the price and weight of the oil. While paying for the oil he ensured that the cashier gave him the cash memo.

Ishaan was a responsible consumer. State any four responsibilities that Ishaan kept in mind while purchasing the mustard oil.

[4 Marks]

Answer: Ishaan showed responsible consumer behavior by following these four responsibilities:

(a) He did prior research by surfing the Internet to know about various brands of mustard oil, which helped him make an informed decision.

(b) He checked the FSSAI certification mark on the product, ensuring the mustard oil was safe and quality approved.

(c) He read the label to find out the price and weight, helping him compare and verify the product details.

(d) He made sure to get a cash memo after payment, which is important for future reference or if any complaint needs to be made.

These actions reflect that Ishaan was careful, aware, and responsible while purchasing the mustard oil.

Key Points: Did prior research on brands - Checked for FSSAI certification mark - Read label for price and weight - Ensured to get a cash memo

Question 30.

Explain any four features of 'Motivation' as an element of the directing function of management.

[4 Marks]

Answer: Features of Motivation in Management:

(a) **Goal Oriented:** Motivation is aimed at fulfilling organizational and individual goals. It directs employees to achieve set objectives effectively.

(b) **Psychological Concept:** It involves mental and emotional factors influencing an employee's behavior, like desires, needs, and attitudes.

(c) **Continuous Process:** Motivation is ongoing; it requires continuous efforts from management to keep employees motivated at all times.

(d) **Leads to Improved Performance:** Motivated employees tend to perform better, increasing productivity and contributing to organizational success.

Key Points: Goal oriented - Psychological concept - Continuous process - Leads to improved performance

Question 31.

Explain any four financial incentives used to motivate employees.

[4 Marks]

Answer: Financial incentives to motivate employees:

(a) **Bonus:** Bonus is an additional payment given to employees for achieving specific targets or good performance. It encourages employees to work hard and achieve goals.

(b) **Profit Sharing:** In profit sharing, employees receive a share of the company's profits. This motivates employees to contribute towards the success of the company.

(c) **Commission:** Commission is a payment based on the sales an employee makes. It motivates sales staff to improve their performance and increase sales.

(d) **Pay Raise:** Increment or pay raise is an increase in the salary of an employee. It is given to recognize good performance and retain employees in the organization.

Key Points: Bonus - Profit Sharing - Commission - Pay Raise

Question 32.

Silk Ltd. had an EPS of ₹ 1. It raised a loan of ₹ 10 lakhs at an interest rate of 10% p.a. from a bank. After one year, the results were as follows :

Tax rate 20%.

(i) Why did EPS in Silk Ltd. rise with the use of debt ?

(ii) If EBIT of the company would have been ₹ 3 lakh, would using debt still be favourable for the company ? Explain.

[4 Marks]

Details	*Amount*
Equity (Shareholders' Funds) (2,00,000 shares of ₹ 10 each)	₹ 20 Lakh
10% Loan	₹ 10 Lakh
Earning Before Interest and Tax (EBIT)	₹ 6 Lakh
Earning Per Share (EPS)	₹ 2

Answer: (i) EPS in Silk Ltd. rose with the use of debt because the company paid interest on the loan which is tax deductible, reducing taxable income and thus tax outflow. This leveraged the company to earn more profit for equity shareholders even after interest and tax, increasing EPS. The benefit arises due to the difference between the company's return on investment and the cost of debt interest. (ii) If EBIT is ₹ 3 lakh, we calculate EPS in both cases: Without debt, entire EBIT is taxable. With debt, interest of 10% on ₹ 10 lakhs = ₹ 1 lakh is deducted before tax. Tax at 20% reduces taxable income by interest saved. If after calculating net profit and dividing by equity shares EPS is higher with debt, then it is favourable; otherwise not. Specifically, if EBIT is low, interest cost might exceed benefit, reducing EPS. So with ₹ 3 lakh EBIT, detailed calculation is needed to confirm. In general, if EBIT > Interest expense / (1 - Tax rate), debt is favourable. Here, interest expense / (1 - 0.20) = 1 lakh / 0.8 = 1.25 lakh. Since 3 lakh > 1.25 lakh, using debt is favourable for the company.

Key Points: EPS rises due to tax deductible interest expense - Interest cost vs EBIT determines advantage of debt - Debt is favourable if EBIT exceeds adjusted interest cost

Question 33.

Explain any four psychological barriers to communication.

[4 Marks]

Answer: Psychological barriers to communication are internal obstacles within a person that affect effective exchange of ideas. (a) **Prejudice**: Having preconceived opinions about others can

block open communication.
(b) **Emotions**: Strong feelings like anger, fear, or sadness can distort the message conveyed or received.
(c) **Suspicion**: Lack of trust in the sender or message can create doubt and reduce clarity.
(d) **Ego**: An inflated sense of self can prevent listening properly or accepting feedback, hindering communication.
These psychological factors affect understanding and reduce the effectiveness of communication between individuals.

> **Key Points: Prejudice - Emotions - Suspicion - Ego**

Question 34.

Explain any four measures to overcome the barriers to communication.

[4 Marks]

Answer: Measures to Overcome Barriers to Communication:
(a) **Use Simple Language:** Avoid using complex words or technical jargon so that the message is clear and easily understood by everyone.
(b) **Be a Good Listener:** Pay full attention while listening to avoid misunderstanding and to respond appropriately.
(c) **Give Feedback:** Ensure that the receiver understands the message properly by asking questions or providing responses.
(d) **Choose Appropriate Channel:** Select a suitable medium (verbal, written, electronic) of communication depending on the situation and the audience to avoid distortion of the message.

> **Key Points: Use simple language - Be a good listener - Give feedback - Choose appropriate channel**

Section D

Question 35.

'Health Relax Ltd.' is one of India's leading consumer healthcare brands in diagnostic services. It has an integrated nationwide network of diagnostic centers. The company was exploring new avenues for its expansion. The top level managers analysed the business environment and found that since the year 2023 was the International Year of Millets, it was expected that the global demand for millets will grow by around 5% annually. India being one of the leading producer and exporter of millets, it was realised that there was a great business opportunity in the millet industry. The Board of Directors

approved the idea of venturing into the business of selling bread, noodles and dosa mix made of millets.

The company had to restructure itself. It diversified into varied product categories and created a structure comprising of separate business units. Each unit had a manager responsible for performance who had authority over the unit. Manpower was grouped on the basis of different products manufactured.

(i) Identify the type of organizational structure of Health Relax Ltd. after restructuring and give its meaning.

(ii) Explain any two advantages and two disadvantages of the type of organisational structure identified in the above case.

[6 Marks]

Answer: (i) Type of Organizational Structure and its Meaning:
After restructuring, Health Relax Ltd. adopted a **Divisional Structure**. This structure divides the organization into semi-autonomous units or divisions based on products, geography, or markets. Each division operates as a separate unit with its own functional departments such as sales, production, and marketing.

(ii) Advantages of Divisional Structure:
1. **Focus on product performance:** Each division is responsible for its own profit and loss, encouraging managers to focus on product success and customer satisfaction.
2. **Flexibility and quick decision-making:** Managers have authority over their divisions, enabling quicker decisions and better responsiveness to market changes.

Disadvantages of Divisional Structure:
1. **Duplication of resources:** Each division having its own functional departments may lead to increased costs due to repetition of activities like HR, finance, etc.
2. **Coordination problems:** Divisions might work independently which can cause lack of coordination and inconsistent policies across the company.

> **Key Points: Divisional Structure - Definition of Divisional Structure - Focus on product responsibility - Quick decision making - Duplication of resources - Coordination problems**

Question 36.

(a) Explain the following techniques of Scientific Management :

(i) Time study

(ii) Differential piece wage system

(iii) Standardization and simplification of work

[6 Marks]

Answer: (a) **Time Study** : Time study is a technique in scientific management where the time taken by a worker to complete a specific task is measured using a stopwatch. It helps in determining the standard time required for a job to increase efficiency and eliminate wastage of time.
(b) **Differential Piece Wage System** : This system pays workers based on the number of units produced. It provides higher wages to those who produce more than the standard output and lower wages to those who produce less. This motivates workers to increase productivity.
(c) **Standardization and Simplification of Work** : This technique involves setting standards for tools, materials, and working methods to maintain uniformity and quality. Simplification removes unnecessary steps in the work process to make work easier and faster. It helps in reducing cost and improving efficiency.

> **Key Points: Time study measures task time for efficiency - Differential piece wage system motivates with pay based on output - Standardization ensures uniformity and simplification removes unnecessary steps**

Question 37.

Explain the following Principles of Management :

(i) Authority and Responsibility

(ii) Centralization and Decentralization

(iii) Initiative

[6 Marks]

Answer: (a) Authority and Responsibility: Authority means the right given to a person to give orders, take decisions and allocate resources to achieve organizational goals. Responsibility refers to the duty assigned to a person to perform a task. Authority and responsibility go hand in hand; a person given responsibility must have commensurate authority to fulfill it. This principle ensures clear accountability and proper functioning in management.

(b) Centralization and Decentralization: Centralization means concentrating decision-making authority at the top levels of management. It ensures uniformity and control but may slow down decision-making. Decentralization refers to delegating decision-making powers to lower levels of management. It promotes flexibility, faster decisions, and motivation but may reduce control. Organizations must balance centralization and decentralization based on their needs.

(c) Initiative: Initiative means the ability of employees to take active interest and act on their own to solve problems or improve work without being told. Encouraging initiative motivates employees, leads

to innovation, and increases efficiency. Management should give freedom and support to employees to take initiatives while aligning with organizational objectives.

Key Points: Authority is the right to give orders - Responsibility is the duty to perform tasks - Centralization means decision-making at top levels - Decentralization means delegating decisions to lower levels - Initiative is taking action independently and proactively

Question 38.

BJ Pvt. Ltd. is a company manufacturing organic shampoos with the brand name ‘Pure Shine’. This name will help the company in creating product differentiation. To satisfy the needs of the customers in the target market the company used natural ingredients like curry leaves, neem, rice, etc. The focus of the company is on satisfaction of customers needs. To have higher demand of shampoo it decided to fix a lower price in comparison to the other shampoos available in the market. To inform the customers about the shampoo and its features etc., the company used various promotional tools. For maximum satisfaction of customers, the company provides the contact details of the customer care centre to handle customer complaints.

Identify and explain any three functions of marketing discussed in the above paragraph.

[6 Marks]

Answer: (a) Product Function: BJ Pvt. Ltd. focuses on product function by manufacturing organic shampoos using natural ingredients like curry leaves, neem and rice to meet customer needs. The brand name "Pure Shine" helps in product differentiation.
(b) Pricing Function: The company sets a lower price for its shampoo compared to other brands in the market to attract more customers and increase demand.
(c) Promotion Function: To inform and attract customers, the company uses various promotional tools to advertise the shampoo and its features effectively.
(d) Customer Support Function: The company provides customer care contact details to handle complaints and ensure maximum customer satisfaction.

Key Points: Product function - Pricing function - Promotion function

Question 39.

Distinguish between formal and informal organization by giving any four points.

[6 Marks]

Answer: Difference between Formal and Informal Organization:

1. **Definition:** Formal organization is a planned structure defined by official rules and responsibilities,

while informal organization arises naturally based on personal relationships and social interactions among members.
2. **Formation:** Formal organization is deliberately created by management to achieve organizational goals; informal organization develops spontaneously among employees without any official planning.
3. **Structure:** Formal organization has a definite hierarchy and clear lines of authority; informal organization has no fixed structure and depends on social groups and friendships.
4. **Purpose:** The purpose of formal organization is to achieve organizational objectives efficiently; informal organization helps in fulfilling social and psychological needs of employees, promoting cooperation.
Thus, formal organization focuses on tasks, roles, and authority, whereas informal organization emphasizes social relationships and mutual support.

Key Points: Planned structure vs spontaneous formation - Official rules vs personal relations - Defined hierarchy vs no fixed structure - Goal oriented vs social needs

Question 40.

Explain any four limitations of planning.

[6 Marks]

Answer: Four Limitations of Planning
(a) **Inflexibility:** Planning can sometimes be rigid and inflexible. Once a plan is made, managers may stick to it even when the situation changes, which can lead to missed opportunities or ineffective responses to new challenges.
(b) **Time Consuming:** The planning process often requires a significant amount of time and effort. This can delay action and reduce the ability to respond quickly in dynamic environments.
(c) **Uncertain Future:** Planning is based on assumptions about future conditions, which may not always be accurate. Changes in the external environment, such as market trends or technology, can make plans obsolete.
(d) **Costly Process:** Preparing detailed plans and collecting information involves costs. For small businesses or organizations with limited resources, extensive planning may not be feasible or beneficial.
Thus, while planning is essential for guidance and direction, its limitations mean it should be applied with flexibility and awareness of changing conditions.

Key Points: Inflexibility - Time Consuming - Uncertain Future - Costly Process