# 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.** Which of the following is not a function of middle level management ?

[1 Marks]

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

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

(C) To coordinate the activities of different departments

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

**Explanation:** Middle level management acts as a link between top management and lower management. Their main functions include interpreting the policies framed by the top management, coordinating activities of different departments, and ensuring that their department has the necessary personnel. However, assigning necessary duties and responsibilities to personnel in their departments is primarily the function of lower level management, who directly supervise the workforce.

**Question 2.**

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) Statement I is true and Statement II is false.

(B) Both the Statements are true.

(C) Both the Statements are false.

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

**Explanation:**

According to the Consumer Protection Act, 2019, the District Commission entertains complaints where the value of goods or services paid does not exceed ₹1 crore, not ₹10 crores. Statement I is therefore false. Statement II is correct as an aggrieved party can appeal to the State Commission against the order of the District Commission within 45 days on grounds of facts or law.

**Question 3.**

'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) Aptitude test

(C) Intelligence test

(D) Personality test

**Explanation:**

A trade test is used to assess the practical skills and proficiency of a candidate in the particular trade or profession they are applying for. Since the candidates were asked to give a demonstration lesson to measure their teaching skills and proficiency in English for Class XII, this type of test is a trade test.

**Question 4.**

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

[1 Marks]



(A) Primary level only

(B) Primary and transportation packaging levels

**(C) Primary, secondary and transportation packaging levels**

(D) Primary and secondary levels

**Explanation:**

Packaging is generally categorized into three levels: primary packaging which directly encloses the product, secondary packaging which groups several primary packages together for easier handling and branding, and transportation packaging that provides protection during shipping and handling. Since the question references a picture showing packaging and the option includes all three levels,

the correct answer is 'Primary, secondary and transportation packaging levels' because it comprehensively covers all stages of packaging.

**Question 5.** Which of the following statements is correct for ‘short term investment decisions’ ?

[1 Marks]

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

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

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

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

**Explanation:** Short term investment decisions relate to managing current assets and current liabilities to ensure smooth operations. Such decisions affect both liquidity (ability to meet short-term obligations) and profitability (efficient use of resources). They are typically reversible, involve smaller amounts compared to long term decisions, and focus on short-term financial health rather than long-term earning capacity.

**Question 6.**

‘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) Science, Not Rule of Thumb

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

**(C) Cooperation, Not Individualism**

(D) Harmony, Not Discord

**Explanation:**

The statement emphasizes the importance of management being open to employees' constructive suggestions and rewarding them. This reflects the principle of 'Cooperation, Not Individualism', which advocates for a spirit of mutual cooperation between management and workers, rather than working individually or with discord.

**Question 7.** 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 effective but Priyanka is efficient.**

(B) Both Aparna and Priyanka are effective.

(C) Both Aparna and Priyanka are efficient.

(D) Aparna is efficient but Priyanka is effective.

**Explanation:** Effectiveness means completing the assigned task or goal. Aparna produced the assigned 10 dresses, so she is effective. Efficiency means completing the task with minimum cost or resources. Priyanka produced fewer dresses (8 instead of 10) but at a lower cost per dress (₹ 900 vs ₹ 1100). Hence, Priyanka is efficient but not effective. Therefore, the correct statement is 'Aparna is effective but Priyanka is efficient.'

**Question 8.**

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), (ii) and (iii)

(B) (iii) and (iv)

(C) (iv) only

**(D) (i), (iii) and (iv)**

**Explanation:**

The case mentions that Prakhar Ltd. made huge investments in research and development, indicating the importance of product cost (i). The demand for the medicine increased because it became necessary, reflecting utility and demand (iii) as factors. Lastly, the government regulated the price due to the medicine being essential, which is an example of government and legal regulations (iv). Marketing methods (ii) are not discussed in the case. Therefore, the factors affecting price determination here are (i), (iii), and (iv).

**Question 9.**

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 II is true and Statement I is false.**

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

(C) Both the Statements are false.

(D) Both the Statements are true.

**Explanation:**

Statement I is false because shareholders' funds (equity) do not involve a fixed commitment to pay returns or repay capital. Dividends are paid at the discretion of the company and there is no obligation to repay the capital invested by shareholders. Statement II is true because debt is generally considered the cheapest source of funds due to lower cost and the tax deductibility of interest payments, which effectively reduces the cost of borrowing.

**Question 10.**

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 → Establishing authority and reporting relationships → Assignment of duties → Departmentalisation

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

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

**Explanation:** The correct sequence in the process of Organizing in management starts with Identification and division of work, which involves breaking down the total work into smaller parts. Next is Departmentalisation, where these divided tasks are grouped based on similarity or function. Then comes Assignment of duties, where specific tasks are assigned to individuals or groups. Finally, Establishing authority and reporting relationships ensures proper supervision and communication flow within the organization.

**Question 11.**

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

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

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

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

**Explanation:**

This option correctly matches the explanations of different sources of external recruitment with their corresponding sources. External recruitment sources typically include advertising (ii), employment exchanges (iii), campus recruitment (iv), and referrals (i). Thus, matching 1 with (ii), 2 with (iii), 3 with (iv), and 4 with (i) aligns with the standard classification and descriptions of external recruitment sources.

**Question 12.** 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 Safety

(C) Right to be Informed

(D) Right to Seek Redressal

**Explanation:** The question describes the consumer's right to file a complaint and be heard when dissatisfied with goods or services. This corresponds to the 'Right to Seek Redressal', which allows consumers to seek a proper remedy or complaint resolution under the Consumer Protection Act, 2019. While 'Right to be Heard' ensures consumers' views are considered, it does not specifically include filing complaints and obtaining solutions, which is covered by the 'Right to Seek Redressal'.

**Question 13.**

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) Motion study

(C) Fatigue study

**(D) Standardisatrion and simplification**

**Explanation:**

The paragraph mentions standards for processes, raw materials, time, etc., relating to Standardisation and Simplification. Designing jobs to eliminate unnecessary movements relates to Method Study. Analysing rest intervals to regain stamina refers to Fatigue Study. However, Motion Study, which typically focuses on analyzing the movements of workers to improve efficiency and reduce wasteful motion specifically, is not explicitly mentioned or discussed in the paragraph.

**Question 14.** 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) Strategy

**(B) Policy**

(C) Rule

(D) Method

**Explanation:** The plan described is a 'Policy' because it refers to a general guideline or principle adopted by the company to make all purchases from AK Ltd. on credit with a credit period of at least 7 days. Policies provide a broad framework for decision making and actions within an organization, which fits the context given. Unlike rules, strategies, or methods, a policy guides consistent decisions but allows some flexibility.

**Question 15.**

'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) Unity of direction

(B) Discipline

(C) Esprit de corps

**(D) Order**

**Explanation:**

The principle of Order in management states that there should be a fixed place for everything and everyone to ensure smooth workflow and avoid any hindrance or confusion. This principle emphasizes the importance of proper arrangement of resources, materials, and personnel in the business or factory setting. Hence, 'Order' is the correct principle highlighted in the statement.

**Question 16.** 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) Three level channel

(C) Two level channel

(D) One level channel

**Explanation:** A zero level channel, also known as a direct channel, is when products move directly from the manufacturer to the end consumer without any intermediaries like wholesalers or retailers. This channel is used when the manufacturer sells the products directly to the consumers, ensuring direct contact and control over the sales process.

**Question 17.** The purpose of the principle of ‘unity of command’ is that :

[1 Marks]

**(A) It avoids dual subordination.**

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

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

(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 avoids confusion and conflict arising from receiving instructions from multiple bosses, which is known as dual subordination. Therefore, the purpose of this principle is to avoid dual subordination.

**Question 18.**

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) Economic and social environments

(B) Social and political environments

**(C) Social and technological environments**

(D) Technological and economic environments

**Explanation:**

The case mentions a shift in customer preferences towards environment-friendly products, which reflects the Social environment dimension affecting the business. It also highlights the company's digital transformation enabling online orders and cashless payments, which refers to the Technological environment dimension. Therefore, the correct dimensions discussed are Social and Technological environments.

**Question 19.**

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:**

The assertion states that dividend decisions affect the financing decisions because retained earnings are part of the firm's internal funds. The reason explains that a firm does not need external funds for the amount equal to retained earnings since these earnings are re-invested funds. Both statements are true and the reason correctly explains why retained earnings impact financing decisions.

**Question 20.** 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) Scale of operations

**(C) Level of competition**

(D) Inflation

**Explanation:** The requirement of working capital depends on various factors, one of which is the level of competition. In this case, due to high competition, Prashant needs to hold larger stocks of finished goods to fulfill urgent customer orders, which increases the working capital requirement. Therefore, the correct factor affecting working capital here is the level of competition.

## Section B

**Question 21.**

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:** The general principle of management highlighted in this case is the **"Scalar Chain"**. Scalar Chain means the chain of authority that runs from the highest to the lowest rank in an organization. It is a clear line of authority where communication flows in a formal and orderly manner. Dhiren Patel emphasizes that all communication should follow this chain of command, ensuring proper discipline, coordination, and order in the organization. By following scalar chain, managers and subordinates know their roles and responsibilities, which helps in effective management and smooth functioning of the company.

**Key Points: Scalar Chain - Chain of Authority - Communication from Top to Bottom - Proper Discipline - Organized Management**

**Question 22.**

State any three factors affecting financing decision.

[3 Marks]

**Answer: Three factors affecting financing decision are:**
(a) Cost of Capital: The cost associated with raising funds from various sources affects the choice of financing. Lower cost sources are preferred to maximize profits.
(b) Risk: The risk involved in different sources of finance influences the decision. Equity finance involves less risk compared to debt, which has fixed obligations.
(c) Financial Flexibility: Firms prefer sources that offer flexibility in terms of repayment and usage to adapt to changing business needs.

**Key Points: Cost of Capital - Risk involved in finance - Financial Flexibility**

**Question 23.**

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) **Protecting Investors:** SEBI protects investors by preventing fraudulent activities and regulating the securities market, ensuring fair play.
(b) **Regulating Stock Exchanges:** It regulates and monitors stock exchanges to maintain transparency and fairness in the trading process.
(c) **Prohibiting Insider Trading:** SEBI prohibits insider trading to stop unfair advantages to certain insiders and promote equal information access among all investors.

**Key Points: Protecting investors from fraud - Regulating stock exchanges for fairness - Prohibiting insider trading**

**Question 24.**

Explain ‘Democratic (Participative)style of leadership’.

[3 Marks]

**Answer:** The Democratic or Participative style of leadership is a leadership approach where the leader involves group members in decision making. In this style, the leader encourages participation, shares ideas, and listens to opinions before making final decisions. This leads to better team

cooperation and motivation as everyone feels valued and responsible. It promotes creativity and improves the quality of decisions by considering diverse viewpoints. However, it may take more time for decisions to be finalized because of group discussions. Overall, this style is effective in settings where teamwork and collaboration are important.

> **Key Points: Leader involves team in decision making - Encourages participation and sharing ideas - Improves cooperation and motivation**

**Question 25.**

'An intelligent manager should make use of positive aspects of informal channels 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:** Informal channels enable quick and free flow of information, which helps managers get instant feedback and build good relationships among employees.
**(b) Negative aspects:** 1. Informal channels can spread rumors and false information, creating confusion and misunderstanding.
2. They may lead to gossiping, which can harm workplace harmony and reduce employee productivity.
Therefore, an intelligent manager should encourage the use of positive informal communication for better coordination but control the negative effects by verifying information and promoting transparency.

> **Key Points: Quick flow of information - Spreading rumors - Harmful gossip**

**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 incentive used by the Chief Executive Officer (CEO) was a non-monetary incentive known as **job security**. By assuring the employees about the stability of their future income and job, the CEO provided emotional and psychological satisfaction. This reduced their insecurity and fear of losing the job, which motivated them and helped improve their performance.
(ii) As per Maslow's Hierarchy of Needs theory, the need satisfied here is the **Safety Need**. Safety needs include job security, stability of income, and protection from fears. By assuring job stability, the CEO addressed the employees' safety needs, leading to increased morale and productivity.

**Key Points: Non-monetary incentive - Job security assurance - Safety need satisfied**

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## 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: Answer:**
Anmol Pathak used the following two concepts of management for analysing deviations:

**1. Controlling:** Controlling is a management function that involves setting performance standards, measuring actual performance, comparing it with standards and taking corrective actions if needed. Here, Anmol checks the acceptable increase in costs against the actual increase to find deviations.

**2. Budgetary Control:** Budgetary control is a tool of controlling where budgets for various expenses like raw material, transportation and packaging are set. Actual expenses are compared with these budgets to evaluate performance. Deviations from budgets help Anmol identify areas needing attention to control costs.

By using controlling and budgetary control, Anmol Pathak can analyse the causes of cost increases and take necessary steps to keep costs under control.

> **Key Points: Controlling - Budgetary control - Analysis of deviations**

**Question 28.**

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 debt financing provides leverage. The interest on debt is a fixed cost and interest expense is tax-deductible, which reduces tax liability and increases net profit available to shareholders. When EBIT is high, the company earns more than the cost of debt, so the leftover profit after interest and tax increases EPS.
(ii) If EBIT is ₹ 3 lakh, we calculate EBIT after interest: EBIT = 3,00,000, Interest = 10% of 10,00,000 = 1,00,000, Profit before tax = 3,00,000 - 1,00,000 = 2,00,000, Tax at 20% = 40,000, Net profit =

2,00,000 - 40,000 = 1,60,000.
Compare this with no debt scenario: EBIT = 3,00,000, no interest, so PBT = 3,00,000, Tax = 60,000, Net profit = 2,40,000.
Since net profit with debt (₹ 1,60,000) is less than net profit without debt (₹ 2,40,000), EPS will be lower if debt is used. Hence, using debt is not favourable when EBIT is ₹ 3 lakh.

**Key Points: Debt creates leverage and increases EPS when EBIT exceeds cost of debt - Interest expense is tax deductible, reducing tax and increasing net earnings - Using debt is favourable only if EBIT after interest and tax is higher than without debt**

**Question 29.**

Distinguish between 'Primary Market' and 'Secondary Market' by giving any four points.

[4 Marks]

**Answer: Difference between Primary Market and Secondary Market:**
1. **Definition:** Primary Market is the market where new securities are issued for the first time to the public. Secondary Market is the market where existing securities are traded among investors.
2. **Purpose:** In Primary Market, companies raise fresh capital by issuing new shares or bonds. In Secondary Market, investors buy and sell securities among themselves, so no fresh capital is raised by the company.
3. **Example:** Initial Public Offering (IPO) happens in the Primary Market. Stock exchanges like NSE and BSE operate in the Secondary Market.
4. **Transaction:** Transactions in Primary Market happen directly between the company and investors. Transactions in Secondary Market happen between investors through brokers.
Thus, primary market involves new securities and raising funds for companies, while secondary market provides liquidity to investors to buy and sell existing securities.

**Key Points: Primary Market issues new securities - Secondary Market trades existing securities - Primary Market raises fresh capital - Secondary Market provides liquidity**

**Question 30.**

Explain 'Autocratic' and 'Laissez-faire' style of leadership.

[4 Marks]

**Answer: Autocratic Leadership:** In this style, the leader makes all decisions independently without consulting others. The leader has full control and expects strict obedience from subordinates. It is effective in situations requiring quick decision-making or when rules must be strictly followed.
**Laissez-faire Leadership:** This style is opposite to autocratic. The leader gives freedom to the team members to make decisions and work on their own. The leader provides minimal guidance and allows employees to take initiative. It works well with highly skilled and motivated teams.

**Key Points: Autocratic - Leader makes decisions alone - Strict control and obedience - Laissez-faire - Leader gives freedom to team - Minimal guidance - Encourages initiative**

**Question 31.**

Explain any four semantic barriers to communication.

[4 Marks]

**Answer: Semantic barriers to communication** arise due to misunderstandings related to the meaning of words and symbols used in communication. Four major semantic barriers are:
(a) **Language Differences:** When sender and receiver use different languages or dialects, it leads to confusion and misinterpretation.
(b) **Use of Jargon:** Specialized terms or jargon used by experts may not be understood by others, creating a barrier.
(c) **Different Interpretations:** People may interpret the same words differently based on their experiences, culture or mindset.
(d) **Ambiguity:** When words or phrases have multiple meanings, the message can be misunderstood. Clear and simple language helps to overcome this barrier.

**Key Points: Language differences - Use of jargon - Different interpretations - Ambiguity**

**Question 32.**

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 the following responsibilities while purchasing mustard oil:
**(1) He did research before buying by surfing the Internet to know about different brands available in the market.**
**(2) He checked for the FSSAI certification mark to ensure the quality and safety of the mustard oil.**
**(3) He read the label carefully to check the price and weight of the oil container.**
**(4) While paying, he made sure the cashier gave him a cash memo as proof of purchase.**
These actions show Ishaan was a responsible consumer who values quality, information, and proper billing.

**Key Points: researched brands before purchase-checked FSSAI certification mark-checked price and weight on label-collected cash memo as proof**

**Question 33.**

Explain any four points of importance of 'Directing' function of management.

[4 Marks]

**Answer: Importance of Directing Function of Management:**
(a) **Guides employees:** Directing provides clear instructions and guidance to employees on how to perform their tasks efficiently.
(b) **Motivates employees:** It motivates employees by encouraging and inspiring them to achieve the organizational goals.
(c) **Coordinates activities:** It helps in coordinating various activities among different departments for smooth functioning.
(d) **Increases efficiency:** Through supervision and leadership, directing improves the efficiency and productivity of employees and the organization.

**Key Points: Guides employees - Motivates employees - Coordinates activities - Increases efficiency**

**Question 34.**

Explain the following methods of training :

(i) Induction training

(ii) Apprenticeship training

[4 Marks]

**Answer:** (i) **Induction training**: It is the process of introducing a new employee to the organisation, its culture, rules, and the work environment. This training helps the new employee to adjust quickly and become productive. It includes familiarising the employee with colleagues, job responsibilities, and company policies.
(ii) **Apprenticeship training**: This method combines on-the-job training with classroom learning. It is usually provided to new entrants to learn a trade or skill under the supervision of an expert. Apprenticeship training helps in developing practical skills while the apprentice also gains theoretical knowledge.

**Key Points: Induction training introduces new employees to organisation culture-adjusts employees quickly-includes familiarisation with job and policies - Apprenticeship**

**training combines practical and theoretical learning-provided under expert supervision-develops specific trade skills**

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## 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 formillets 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) The organizational structure adopted by Health Relax Ltd. after restructuring is the **Divisional Structure**.
The divisional structure means that the company is divided into different divisions or business units based on products, services, or geographical locations. Each division operates as a separate unit with its own manager who has authority and responsibility for the performance of that unit.

(ii) Advantages of Divisional Structure:
1. **Focus on Product Performance:** Each division focuses on its own product category (bread, noodles, dosa mix), which improves product quality and customer satisfaction.
2. **Flexibility and Quick Decision Making:** Since each division has its own manager with authority, decisions can be taken quickly without waiting for top management approval.

Disadvantages of Divisional Structure:
1. **Duplication of Resources:** Each division may have its own staff functions like marketing and

finance, which can lead to duplication and increased costs.
2. **Conflict Between Divisions:** Different divisions may compete for company resources leading to conflicts and lack of cooperation.

In summary, the divisional structure helps Health Relax Ltd. to manage diversified products efficiently but requires coordination to avoid conflicts and resource wastage.

> **Key Points: Divisional Structure - Separate business units by product - Manager with authority for each unit - Advantages: Focus on product, quick decisions - Disadvantages: Resource duplication, inter-division conflict**

**Question 36.**

Explain the various objectives of management.

[6 Marks]

**Answer: Objectives of Management**
Management is the process of planning, organizing, leading, and controlling resources to achieve organizational goals effectively and efficiently. The objectives of management can be classified into the following categories:
**1. Organizational Objectives:** These objectives focus on the overall growth and success of the organization. It includes profit maximization, growth through expansion, and maintaining market position.
**2. Social Objectives:** Management aims to fulfill its social responsibilities towards the community and environment. This includes ensuring ethical practices, protecting the environment, and contributing to social welfare.
**3. Personal Objectives:** Management should provide fair wages, safe working conditions, and opportunities for personal growth and job satisfaction to employees. It aims to harmonize individual goals with organizational goals.
**4. Economic Objectives:** Efficient utilization of resources to reduce costs and increase productivity. Management seeks to maximize output with minimum input.
**5. Functional Objectives:** These are specific objectives related to different functions like production, marketing, finance, and human resources, each working towards achieving organizational goals.

In summary, the objectives of management ensure smooth functioning, growth, and goodwill of the organization while balancing the interests of employees, customers, society, and shareholders.

> **Key Points: Organizational objectives - Social objectives - Personal objectives - Economic objectives - Functional objectives**

**Question 37.**

Explain any four features of ‘Coordination’.

[6 Marks]

**Answer: Four features of Coordination:**
(a) **Chemical Bonding:** Coordination involves the formation of coordinate bonds where a ligand donates a pair of electrons to the central metal atom or ion.
(b) **Central Metal Atom/Ion:** A coordination compound always contains a central metal atom or ion surrounded by ligands.
(c) **Ligands:** Ligands are ions or molecules that have lone pairs of electrons and are attached to the central metal atom/ion through coordinate bonds.
(d) **Coordination Number:** The number of ligand atoms that are directly bonded to the central metal atom/ion is called the coordination number, which varies depending on the size of the metal ion and ligands.
These features help to explain the structure, bonding, and properties of coordination compounds in chemistry.

**Key Points: presence of coordinate bonds - central metal atom or ion - ligands donate electron pairs - concept of coordination number**

**Question 38.**

Give the meaning of ‘Formal Organization’. State any five features of formal organization.

[6 Marks]

**Answer: (a) Meaning of Formal Organization:** A formal organization is a structured and systematic arrangement of roles, responsibilities, and authority created by management to achieve specific objectives. It is deliberately planned with clear rules, procedures, and communication channels.
**(b) Five Features of Formal Organization:** 1. **Clear Structure:** It has a defined hierarchy with specified roles and responsibilities.
2. **Defined Objectives:** It is created to achieve specific goals of the organization.
3. **Fixed Rules and Procedures:** It operates based on established policies and guidelines.
4. **Division of Work:** Work is divided among members according to their skills and expertise.
5. **Authority and Responsibility:** It clearly defines the authority and responsibility of each position.
This formal setup helps in smooth functioning and coordination within an organization.

**Key Points: Clearly defined structure - Specific objectives - Fixed rules and procedures - Division of work - Authority and responsibility**

**Question 39.**

Give the meaning of ‘Planning’. State the first five steps in the process of planning.

[6 Marks]

**Answer: (a) Meaning of Planning:** Planning is the process of setting objectives and determining in advance the steps required to achieve those objectives efficiently. It involves deciding what is to be done, when, how, and by whom.

**(b) First Five Steps in the Process of Planning:**

1. **Setting Objectives:** Define clear and specific goals that the organisation wants to achieve.
2. **Developing Planning Premises:** Gather information about the internal and external environment, such as resources, constraints, and market conditions.
3. **Identifying Alternatives:** Consider various courses of action to achieve the objectives.
4. **Evaluating Alternatives:** Assess the pros and cons of each alternative based on factors like cost, risk, and benefit.
5. **Selecting the Best Alternative:** Choose the most suitable course of action that aligns with the objectives and available resources.

These steps help managers to anticipate changes, reduce risks, and ensure efficient use of resources.

> **Key Points: Planning definition - Setting objectives - Developing planning premises - Identifying alternatives - Evaluating alternatives - Selecting best alternative**

**Question 40.**

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: Functions of Marketing discussed in the paragraph:**

(a) **Product Development and Differentiation:** BJ Pvt. Ltd. created a brand called Pure Shine which differentiates its organic shampoos from others in the market. The company uses natural ingredients like curry leaves, neem, and rice to satisfy customer needs and preferences, focusing on offering a

unique and high-quality product.

(b) **Pricing:** To attract more customers and increase demand, the company decided to fix a lower price compared to other shampoos available in the market. This pricing strategy helps in making the product affordable and competitive.

(c) **Promotion and Customer Support:** The company uses various promotional tools to inform customers about the shampoo and its benefits. Additionally, it provides customer care contact details to handle complaints and ensure customer satisfaction. This function helps in creating awareness and building good customer relationships.

> **Key Points: Product Development and Differentiation - Pricing - Promotion and Customer Support**

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