CBSE EXAMINATION PAPER-2026

BUSINESS STUDIES

(Solved)

Time allowed : 3 hours | Maximum Marks : 107

General Instructions :

Read the following instructions carefully and follow them :

i. This question paper contains **41 questions.** All questions are **compulsory.**

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

iii. **Section A** – questions number **1 to 21** are multiple choice questions

iv. **Section B** – questions number **22 to 27** are short answer type i

v. **Section C** – questions number **28 to 35** are short answer type ii

vi. **Section D** – questions number **36 to 41** 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.

The top management of a smartphone manufacturing company recently observed that the government has ordered new safety standards for batteries used in smartphones to prevent overheating. It also noticed that the government announced a reduction in import duties on components used in mobile phones.

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

[1 Marks]

(A) Political and legal environments

(B) Technological and legal environments

(C) Legal and social environments

(D) Political and technological environments

Explanation:

The government's order for new safety standards falls under the legal environment because it involves laws and regulations affecting the business. The reduction in import duties is related to government policies, reflecting the political environment. Hence, the dimensions highlighted are political and legal environments.

Question 2.

‘Tangy Beverages Ltd.’ was known for its popular tangy fruit drinks. It had recently introduced a new range of fruit drinks that became an instant hit among consumers and led to a significant increase in the company’s profits. As a result, the Board of Directors wanted to declare a higher dividend for the year. The Chief Finance Officer suggested that they should evaluate the impact of dividend on the share price of previous years before taking a decision. An analysis was done, which showed how the company’s share price had risen in previous years whenever the dividend was increased. On the other hand, even a small decrease in dividend had led to a noticeable dip in the share price.

Which of the following factors affecting dividend decision was suggested by the Chief Finance Officer to the Board of Directors in the above case ?

[1 Marks]

(A) Access to capital market

(B) Cash flow position

(C) Stock market reaction

(D) Shareholders preference

Explanation:

The Chief Finance Officer suggested evaluating how changes in dividend affected the company’s share price in previous years. This relates to the 'Stock market reaction' factor of dividend decisions, which considers how the market and investors respond to dividend changes. Since share prices increased with higher dividends and decreased with dividend cuts, the stock market's response was a critical factor in deciding the dividend policy.

Question 3.

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

Assertion (A) : General forces such as social, political, legal and technological conditions affect an individual firm only indirectly.

Reason (R) : General forces have an impact on all business enterprises, in contrast to, specific forces that affect individual firms directly and immediately in their day-to-day working. Choose the correct alternative from the following :

[1 Marks]

(A) Both Assertion (A) and Reason (R) are incorrect.

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

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

(D) Assertion (A) is correct, but Reason (R) is incorrect.

Explanation:

General forces like social, political, legal, and technological conditions impact all business enterprises broadly and therefore affect an individual firm only indirectly. These are external factors that create the overall environment for business operations. In contrast, specific forces affect individual firms directly and immediately. Hence, both Assertion (A) and Reason (R) are correct, and Reason (R) properly explains Assertion (A).

Question 4.

One of the factors affecting price determination of a product is ‘Pricing Objectives’. Which of the following pricing objectives will result in a higher price being fixed for the product ?

[1 Marks]

(A) Surviving in a competitive market

(B) Obtaining market share leadership

(C) Attaining product quality leadership

(D) Profit maximisation in the long run

Explanation:

Pricing objectives influence the price fixed for a product. 'Attaining product quality leadership' typically involves setting a higher price to reflect superior quality and to position the product as premium in the market. This justifies a higher price compared to other objectives such as surviving in a competitive market, obtaining market share leadership, or profit maximisation in the long run, which usually involve competitive or moderate pricing.

Question 5.

‘‘The application of principles of management is dependent upon the prevailing situation at a particular point of time.’’ This statement highlights which of the following features of principles of management ?

[1 Marks]

(A) Contingent

(B) Mainly behavioural

(C) Flexible

(D) General guidelines

Explanation:

The statement means that management principles are not absolute and must be applied depending on the current situation or context. This is known as the contingent nature of management principles, meaning they vary with changes in circumstances and time, making 'Contingent' the correct feature.

Question 6.

‘Renew Ltd.’ was the pioneer in the Electric Vehicles segment and presently has 70% market share. Keeping in mind the rapidly increasing demand for Electric Vehicles due to the rising environment consciousness among people and lower operating costs, the company set a target to increase its market share to 80% in the current year. However, the incentives provided by the government to encourage manufacturing of Electric Vehicles attracted many new players in the market. As this change in the business environment happened suddenly, the company was not able to accurately assess future trends. As a result, the market share of ‘Renew Ltd.’ fell from 70% to 55% in the current year. Which limitation of planning has been discussed in the above case ?

[1 Marks]

(A) Planning involves huge costs

(B) Planning does not guarantee success

(C) Planning may not work in a dynamic environment

(D) Planning leads to rigidity

Explanation: The case describes how sudden changes in the business environment, like the entry of new competitors due to government incentives, affected the company's market share negatively. This shows that planning has a limitation in dynamic environments because plans made based on current assumptions may not remain valid when external conditions change rapidly.

Question 7.

Which of the following statements is incorrect with reference to Maslow’s Need Hierarchy Theory of motivation ?

[1 Marks]

(A) People’s behaviour is based on their needs.

(B) Only a satisfied need can motivate a person.

(C) People’s needs are in hierarchical order, starting from basic needs to other higher level needs.

(D) A person moves to the next higher level of the hierarchy only when the lower need is satisfied.

Explanation:

According to Maslow’s Need Hierarchy Theory, an unsatisfied need motivates a person to fulfill that need. People are motivated to satisfy unmet needs, starting from basic needs to higher-level needs in a hierarchical order. Therefore, the statement 'Only a satisfied need can motivate a person' is incorrect because it is actually the unsatisfied needs that motivate behavior.

Question 8.

Which of the following is not a factor affecting capital structure of a company ?

[1 Marks]

(A) Return on investment

(B) Cash flow position

(C) Financing alternatives

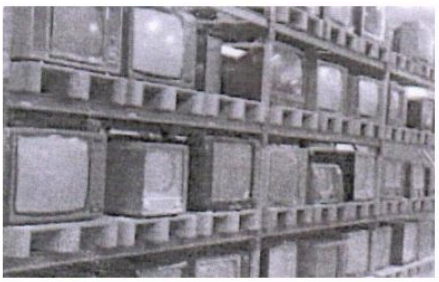
(D) Stock market conditions

Explanation:

Capital structure of a company is influenced by factors like cash flow position, financing alternatives available, and stock market conditions as they affect the company’s ability and cost to raise funds through debt or equity. Return on investment (ROI) is a measure of profitability and performance, not a direct factor affecting the capital structure.

Question 9. Identify the shift in the marketing management philosophy from Picture I to Picture II

[1 Marks]



Mass Production of Televisions

Picture I



Use of Television as a Computer Monitor

Picture II

(A) From Production concept to Product concept

(B) From Production concept to Societal marketing concept

(C) From Societal marketing concept to Production concept

(D) From Product concept to Production concept

Explanation: The shift from the Production concept to the Societal marketing concept indicates a change in marketing philosophy that goes beyond just producing and selling products efficiently (Production concept) to focusing on the well-being of society while satisfying customer needs (Societal marketing concept). This shift reflects a broader responsibility towards society, incorporating social and ethical considerations into marketing decisions.

Question 10.

The process of giving a name or a sign or a symbol etc., to a product is known as :

[1 Marks]

(A) Labelling

(B) Brand

(C) Packaging

(D) Branding

Explanation:

Branding is the process of giving a name, sign, symbol, or design to a product which helps in identifying and differentiating it from other products in the market. It creates a unique identity for the product, making it easily recognizable to consumers.

Question 11.

'Deccan Motors Ltd.' is a renowned name in the automobile sector in India. It deals in both commercial vehicles like bus, truck and lorries, as well as passenger vehicles like cars, scooters, etc. It presently has a functional organisational structure. The Board of Directors have now decided to shift to divisional structure, with separate divisions for commercial vehicles and passenger vehicles.

Identify the benefit the company will get as a result of shifting to divisional structure

[1 Marks]

(A) It will make training of employees easier as the focus will be on limited range of skills.

(B) It will lead to minimal duplication of effort, which will result in economies of scale.

(C) It will promote flexibility and initiative because each division will function as an autonomous unit.

(D) It will lead to occupational specialisation since emphasis will be placed on specific functions.

Explanation:

In a divisional structure, the organisation is divided into semi-autonomous units based on product lines, markets, or geographical areas. Each division operates like a separate entity and is responsible for its own resources and profit. This promotes flexibility and encourages initiative as each division can make decisions independently to better respond to its specific market needs. Therefore, shifting to a divisional structure will help Deccan Motors Ltd. gain flexibility and initiative.

Question 12.

Obligation of a subordinate to properly perform the assigned duty is known as _____.

[1 Marks]

(A) Responsibility

(B) Accountability

(C) Authority

(D) Delegation

Explanation:

Responsibility refers to the duty of a subordinate to complete the tasks assigned to them properly and efficiently. It implies an obligation to perform assigned duties, which matches the description given in the question. Delegation is the process of assigning tasks, Authority is the power to make decisions,

and Accountability is being answerable for the outcome, but the obligation itself is called Responsibility.

Question 13.

A software company wants to expand its business. For this, it requires a large number of fresh graduates with innovative ideas in the field of Artificial Intelligence and Data Analytics. The existing staff members do not possess these specialized skills, so a notice was put up at the reception of the office asking the present employees to introduce any friend or relative who could possibly be possessing the required skills for the jobs. The source of recruitment that has been used by the software company is

[1 Marks]

(A) Promotion

(B) Transfer

(C) Recommendation of employees

(D) Direct Recruitment

Explanation:

The company is asking its current employees to refer friends or relatives who have the required skills for the job. This method of sourcing candidates through existing employees' recommendations is known as 'Recommendation of employees'. It is different from Promotion or Transfer, which involve existing employees moving to new positions, and from Direct Recruitment, which typically involves hiring through advertisements or recruitment agencies directly to candidates.

Question 14.

Read the following statements carefully :

Statement I : The entry to a profession is not restricted either through an examination or through acquiring an educational degree.

Statement II : There is no restriction on anyone being designated or appointed as a manager in any business enterprise irrespective of the educational qualifications possessed. In the light of the given statements, choose the correct alternative from the following :

[1 Marks]

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

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

(C) Statement I is false and Statement II is true

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

Explanation:

Statement I is false because entry to many professions is indeed restricted through examinations or educational qualifications, such as doctors, engineers, and lawyers who must pass certain exams and obtain degrees. Statement II is true because there is generally no formal educational qualification legally required to become a manager in a business; anyone can be designated or appointed as a manager based on the employer's choice.

Question 15.

A leading newspaper company noticed that many of its talented editors were resigning despite being paid competitive salaries. On conducting an internal survey, it was revealed that employees were dissatisfied as they were not being offered benefits over and above the salary, like the employees of other competitive firms. Realising that such additional benefits play an important role in motivating employees, the management decided to provide car allowance, housing facilities, medical benefits, etc. to retain employees in the organisation and improve their satisfaction. Identify the incentive that the newspaper company decided to provide to their employees :

[1 Marks]

(A) Perquisites

(B) Profit sharing

(C) Bonus

(D) Retirement benefits

Explanation:

Perquisites, also known as 'perks', are benefits provided over and above the regular salary to employees, such as car allowance, housing facilities, and medical benefits. These incentives help improve employee satisfaction and retention, which is why the newspaper company chose to provide these additional benefits.

Question 16.

Match the type of plan given in Column-I with its meaning in Column-II : Choose the correct alternative from the following :

[1 Marks]

	Column-I		*Column-II*
a.	Policy	(i)	Prescribed way or manner in which a task has to be performed considering the objective.
b.	Programme	(ii)	Detailed statement about a project which outline the objectives, policies, procedures, rules, tasks, human and physical resources required and the budget to implement any course of action.
c.	Method	(iii)	A comprehensive plan for accomplishing an organisation's objectives, taking business environment into consideration.
d.	Strategy	(iv)	A general statement that guides thinking or channelises energies towards a particular direction.

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

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

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

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

Explanation:

The correct matching is a-(iv), b-(ii), c-(i), d-(iii) because each type of plan corresponds to its specific meaning as per the provided context. This option correctly aligns each plan type with its appropriate definition, ensuring an accurate understanding of the different kinds of plans.

Question 17. The purpose of opening a Demat Account with a Depository Participant (DP) is

[1 Marks]

(A) For holding and transferring securities in the Demat form

(B) For entering into an agreement with broker

(C) For making payment to stock exchange for any purchase of securities

(D) For enabling cash transactions in the securities market

Explanation: A Demat account is opened with a Depository Participant (DP) to hold securities like shares and bonds in electronic form, known as Demat form. This account facilitates easy and secure holding and transferring of securities without the risks and inconveniences of physical certificates.

Question 18.

The step of the staffing process in which an employee's current and/or past performance is evaluated against certain pre-determined standards is :

[1 Marks]

(A) Recruitment

(B) Performance appraisal

(C) Placement and orientation

(D) Promotion and career planning

Explanation:

Performance appraisal is the step in the staffing process where an employee's current and past performance is measured and evaluated against pre-determined standards to assess their effectiveness and contribution to the organization. It helps in making decisions related to promotions, training, and development.

Question 19. Which of the following will require higher working capital ?

[1 Marks]

(A) Trading organisations

(B) Short processing cycles

(C) High level of competition

(D) Strict credit policy towards debtors

Explanation: Trading organisations require higher working capital because they deal with buying and selling of goods that involve maintaining large inventory and receivables. They need more funds to manage day-to-day operations. On the other hand, short processing cycles, high level of competition, and strict credit policy towards debtors typically reduce the working capital requirement as goods are sold quickly or credit is restricted.

Question 20.

Read the following statements carefully :

Statement I : In democratic leadership style, the followers are given a high degree of independence to formulate their own objectives and ways to achieve them.

Statement II : In autocratic leadership style, communication is only one-way, with the subordinates only acting according to the command given by their managers.

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

[1 Marks]

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

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

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

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

Explanation:

In a democratic leadership style, followers are indeed given a high degree of independence to formulate their own objectives and methods to achieve them, promoting participation and collaboration. In contrast, the autocratic leadership style is characterized by one-way communication where the leader gives orders and the subordinates follow them without input or feedback. Hence, both statements are correct according to the leadership styles described.

Question 21.

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

Assertion (A) : The investing public gets a safe and fair deal on the stock market.

Reason (R) : The membership of stock exchange is well regulated and its dealings are well defined according to the existing legal framework. Choose the correct alternative from the following :

[1 Marks]

(A) Assertion (A) is correct, but Reason (R) is incorrect.

(B) Both Assertion (A) and Reason (R) are incorrect.

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

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

Explanation:

The assertion is correct because the investing public can feel safe and assured of fairness when dealing in the stock market. This is possible because the stock exchanges regulate their membership strictly and follow a well-defined legal framework to supervise all transactions. Therefore, the reason explains why the assertion is true.

Section B

Question 22.

'Premier Ltd.' is a clothing company known for its high quality apparel and strong commitment to environment sustainability. The company designs its clothing after carefully understanding the needs of its present and prospective buyers and satisfying them in an effective manner. It assumes that profit can be maximised only when all decisions are taken from the point of view of customer satisfaction. Along with meeting customer needs, 'Premier Ltd.' also shows a deep concern for the long-term well-being of the society. To reduce environmental pollution, the company is using organic cotton and recycled polyester. For reducing waste, they run a programme where customers can return old clothes for recycling and get a discount on new clothes. Not only this, they keep aside a portion of its profits for environmental education programmes in local schools. Identify and explain two marketing management philosophies followed by 'Premier Ltd.'

[3 Marks]

Answer: Answer:

(a) **Marketing Concept:** Premier Ltd. follows the marketing concept as it focuses on identifying and understanding the needs and wants of its present and prospective customers. The company designs its products accordingly to satisfy the customers effectively. It believes that profit can be maximised only when decisions are taken considering customer satisfaction.

(b) **Societal Marketing Concept:** Along with meeting customer needs, Premier Ltd. also considers the long-term well-being of society. It uses environmentally friendly materials like organic cotton and recycled polyester and runs programmes for recycling old clothes. Additionally, it invests a part of its profits in environmental education, showing care for society and the environment beyond just business profits.

> **Key Points: Marketing concept - focus on customer satisfaction - Societal marketing concept - concern for society and environment - use of eco-friendly materials and recycling programme**

Question 23.

State any three points of importance of Financial Planning

[3 Marks]

Answer: Importance of Financial Planning:

(a) It helps in managing finances efficiently by estimating income and expenses, ensuring money is used wisely.

(b) It prepares individuals or organizations for future uncertainties by creating savings and investments.

(c) It assists in achieving financial goals like buying a house, funding education, or retirement planning by allocating resources appropriately.

Key Points: Manages finances efficiently - Prepares for future uncertainties - Helps achieve financial goals

Question 24.

State any three factors that determine the requirement of fixed capital of a company.

[3 Marks]

Answer: The requirement of fixed capital in a company depends on various factors. Three important factors are:
(a) Nature of Business: The type of business affects the fixed capital requirement. For example, manufacturing businesses need more fixed capital for plant and machinery compared to trading businesses.
(b) Scale of Operations: Bigger the scale of operations, higher the fixed capital needed to buy fixed assets like machinery, land, and buildings.
(c) Choice of Technique: The method of production or technology used influences capital needs. Capital intensive techniques require more fixed capital, whereas labor intensive techniques require less.
Thus, these factors collectively determine the amount of fixed capital required by a company.

Key Points: Nature of Business - Scale of Operations - Choice of Technique

Question 25.

'DF Telecom Ltd.', which produces a range of mobile phones for the Indian market, set a target to produce 30,000 units of mobile phones in the month of December 2025. This was the benchmark against which actual performance would be measured. At the end of the month, it was found that only 27,000 units were produced.

Concerned with the shortfall, the General Manager asked the Production Manager to find out and resolve the problem.

State the steps related to the process of one of the functions of management which the Production Manager has to take to find out and resolve the problem.

[3 Marks]

Answer: Steps related to the controlling function of management to find out and resolve the problem:
1. **Set Standards:** The target was set to produce 30,000 units which acts as the standard or benchmark.

2. **Measure Actual Performance:** At the end of December, actual production was 27,000 units.
3. **Compare Performance with Standards:** Compare the actual output (27,000) with the target (30,000) to find a shortfall of 3,000 units.
4. **Analyze Deviations:** Investigate reasons for the shortfall such as shortage of raw materials, machine breakdowns, labor issues, or inefficient processes.
5. **Take Corrective Actions:** Based on analysis, take steps to fix issues like arranging raw materials on time, maintaining machines properly, training workers, or improving workflow.
6. **Follow Up:** Continuously monitor production to ensure corrective actions are effective and targets are met in future months.
This controlling process helps DF Telecom Ltd. to identify why production was less and take necessary steps to improve and meet future targets.

> **Key Points: Set standards - Measure actual performance - Compare actual with standards - Analyze deviations - Take corrective actions - Follow up**

Question 26.

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

(i) Investment outlay

(ii) Liquidity

(iii) Safety

[3 Marks]

Answer: (a) Investment Outlay: The Capital Market deals with long-term investments where the investment amount is usually large. In contrast, the Money Market involves short-term investments with relatively smaller amounts.
(b) Liquidity: Money Market instruments are highly liquid and can be quickly converted to cash. Capital Market instruments are less liquid compared to Money Market instruments.
(c) Safety: Money Market instruments are considered very safe as they involve less risk and short durations. Capital Market investments carry higher risk due to market fluctuations and longer time periods.

> **Key Points: Capital Market involves long-term large investments - Money Market involves short-term small investments - Money Market is more liquid than Capital Market - Money Market is safer as compared to Capital Market**

Question 27.

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

[3 Marks]

Answer: The Securities and Exchange Board of India (SEBI) performs several development functions to promote and regulate the securities market effectively.

1. Investor Education and Awareness: SEBI conducts programs and campaigns to educate investors about their rights, market procedures, and various investment opportunities to protect them from fraud.

2. Promotion of Fair Practices: It encourages the adoption of fair practices among intermediaries and companies to maintain transparency and integrity in the securities market.

3. Development of Capital Market Infrastructure: SEBI works towards improving market infrastructure by introducing new products, modern trading systems, and regulatory frameworks to facilitate orderly growth of the securities market.

Key Points: Investor education and awareness - Promotion of fair practices among market participants - Development of capital market infrastructure

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Section C

Question 28.

Explain the following points of importance of business environment :

(i) Helps in tapping useful resources

(ii) Helps in coping with rapid changes

[4 Marks]

Answer: (i) Helps in tapping useful resources: Business environment provides information about the availability of various resources such as raw materials, labor, capital, and technology. By understanding the environment, businesses can identify and utilize these resources efficiently, leading to cost reduction and improved productivity.

(ii) Helps in coping with rapid changes: The business environment is dynamic and constantly changing due to factors like government policies, technological advancements, and market trends. Understanding these changes helps businesses to adapt their strategies timely, stay competitive, and avoid potential risks.

Key Points: Provides information about available resources - Enables efficient utilization of resources - Helps businesses adapt to changing conditions

Question 29.

Explain the following techniques of Scientific Management :

(i) Method study

(ii) Standardisation and simplification of work

[4 Marks]

Answer: (i) Method Study: Method study is a technique used to find the best and most efficient way of performing a job. It involves carefully examining the existing method, identifying unnecessary steps, and finding simpler or faster ways to perform tasks. The goal is to improve productivity by reducing wastage of time and resources.

(ii) Standardisation and Simplification of Work: Standardisation means setting uniform procedures, tools, and quality standards for performing tasks so that work is consistent and efficient. Simplification of work involves reducing the complexity of tasks by eliminating unnecessary variations and steps. Together, they ensure quality, reduce costs, and help workers do their jobs easily and effectively.

> **Key Points: Method study improves efficiency by analyzing work steps - Standardisation ensures uniformity in work processes and quality - Simplification reduces complexity and unnecessary steps in work**

Question 30.

State any four features of coordination.

[4 Marks]

Answer: Features of Coordination:

1. **Centre atom or ion:** Coordination compounds have a central metal atom or ion to which ligands are attached.
2. **Ligands:** Ligands are molecules or ions that donate a pair of electrons to the central metal atom forming coordinate bonds.
3. **Coordinate bonds:** The bonds formed between the central metal and ligands are coordinate covalent bonds where both electrons come from the ligand.
4. **Coordination number:** It is the number of ligand donor atoms bonded to the central metal atom or ion.

These features distinguish coordination compounds from other compounds.

> **Key Points: Central metal atom or ion - Ligands donate electron pairs - Formation of coordinate bonds - Coordination number**

Question 31.

State any four points of importance of management

[4 Marks]

Answer: Importance of Management:

(1) **Achieves Goal:** Management helps in achieving the goals of an organization effectively and efficiently by coordinating resources.

(2) **Ensures Optimum Utilization of Resources:** It ensures the best use of physical, financial and human resources, avoiding wastage.

(3) **Helps in Innovation and Development:** Management encourages new ideas and implements them to improve productivity and growth.

(4) **Creates Teamwork:** Management promotes team spirit and cooperation among employees which leads to better performance and a healthy work environment.

> **Key Points: Achieves goals - Ensures optimum resource utilization - Encourages innovation and development - Promotes teamwork**

Question 32.

'Ratan Ltd.' and 'Lara Ltd.' are two companies with each having a capital employed of ₹ 20,00,000. 'Ratan Ltd.' had raised funds by issuing shares whereas 'Lara Ltd.'s' capital has 60% equity (in shares of ₹ 100 each) and 40% debt (comprising of 8% debentures). Both the companies have a Return on Investment of 10% and the tax rate is 40%. State with reason which company will be able to give a better return to the shareholders. Show your calculations clearly.

[4 Marks]

Answer: Given Data:

Capital Employed (Both companies) = ₹ 20,00,000

ROI = 10%

Tax Rate = 40%

Ratan Ltd.: 100% Equity Capital

Lara Ltd.: 60% Equity, 40% Debt at 8% interest

Calculate EPS (Earnings Per Share) or Return on Equity (ROE) for both companies:

Ratan Ltd.:

Since capital is fully equity, Earnings before tax (EBIT) = ROI * Capital Employed = 10% of 20,00,000 = ₹ 2,00,000

Tax = 40% of 2,00,000 = ₹ 80,000

Earnings after tax (EAT) = 2,00,000 - 80,000 = ₹ 1,20,000

Equity Capital = ₹ 20,00,000

Return to Shareholders = Earnings after tax = ₹ 1,20,000

ROE = (1,20,000 / 20,00,000) * 100 = 6%

Lara Ltd.:

Equity Capital = 60% of 20,00,000 = ₹ 12,00,000

Debt = 40% of 20,00,000 = ₹ 8,00,000
Interest on Debt = 8% of 8,00,000 = ₹ 64,000

EBIT = 10% of 20,00,000 = ₹ 2,00,000
Earnings before tax = EBIT - Interest = 2,00,000 - 64,000 = ₹ 1,36,000
Tax @ 40% = 40% of 1,36,000 = ₹ 54,400
Earnings after tax = 1,36,000 - 54,400 = ₹ 81,600

Return on Equity = Earnings after tax / Equity Capital * 100 = (81,600 / 12,00,000) * 100 = 6.8%

Conclusion:
Lara Ltd. can give a better return to its shareholders because it uses debt along with equity, and the cost of debt (8%) is less than the return on investment (10%). This financial leverage increases the return on equity to 6.8% compared to 6% for Ratan Ltd. which has only equity capital.

> **Key Points: Ratan Ltd has 100% equity capital - Lara Ltd has 60% equity and 40% debt - Financial leverage increases return on equity for Lara Ltd**

Question 33.

Rishabh purchased a car for ₹ 8,00,000. He insured the car on the same day from Alex Insurance Company. Rishabh's car was stolen in Kedwan while he was on vacation with his family. He promptly filed a First Information Report (FIR), informed the insurer and submitted all the required documents.

To Rishabh's shock, the insurance company rejected his claim, alleging he had failed to take due care and had parked the car in an unsafe manner. Determined to challenge this, Rishabh wrote multiple letters to the insurance company, but the insurance company refused to pay the compensation.

Rishabh filed a case with District Commission. The District Commission was satisfied with the genuineness of the complaint and ordered the insurance company to pay a reasonable amount. Identify and explain two consumer rights which have been exercised by Rishabh.

[4 Marks]

Answer: (a) Right to Safety: Rishabh exercised his right to safety as he took all necessary precautions like filing an FIR and informing the insurance company promptly. This right ensures that consumers are protected against goods and services which are unsafe or hazardous.
(b) Right to Seek Redressal: When the insurance company refused to pay the claim unfairly, Rishabh used his right to seek redressal by filing a complaint with the District Consumer Disputes Redressal Commission. This right enables consumers to get compensation or remedy for unfair trade practices or deficient services.

Key Points: Right to Safety - Right to Seek Redressal - Filing complaint with District Commission

Question 34.

Hitesh started a garment manufacturing company recently. However, he soon began facing several problems like targets not met, conflicts among managers, high labour turnover, etc. He hired a management consultant to find out what was going wrong. The consultant conducted investigations and gave the following observations :

(i) In Production Department, workers were receiving instructions from both, the Production Manager and the Marketing Manager. As a result, there was a lot of confusion regarding tasks to be done.

(ii) Promotions were given only to women employees. Other employees did not get equal opportunities in the company to rise.

Identify and explain the two principles of management given by Fayol which are not being followed in Hitesh's company

[4 Marks]

Answer: (a) Principle of Unity of Command: This principle states that an employee should receive instructions from only one superior to avoid confusion and conflicts. In the case of Hitesh's company, workers were receiving orders from both the Production Manager and the Marketing Manager, leading to confusion about tasks. Hence, the unity of command principle is violated.
(b) Principle of Equity: Fayol's equity principle means fair treatment and justice should be given to all employees. Promotions must be based on merit without discrimination. In Hitesh's company, promotions were given only to women employees, denying equal opportunity to others. This violates the equity principle of management.

Key Points: Unity of Command - Principle of Equity - Confusion due to multiple superiors - Unequal promotion opportunities

Question 35.

The students of class 11 of 'AL Public School' decided to host a farewell party to students of class 12. A core team was formed that brainstormed and identified various activities that needed to be performed for the same. It was decided that the arrangements for refreshments, sound and music, tentage, gifts, invitations and cultoural programme are required to be made. The students then divided the work into manageable activities so that duplication is avoided and burden of work is shared. The students were excited that they were managing the whole event themselves.

(i) The students of class 11 have performed one of the steps in the process of organising. Identify the step.

(ii) State the next three steps that the students need to perform to complete the process of organising successfully.

[4 Marks]

Answer: (i) The students of class 11 have performed the step of "Dividing the work into manageable activities", which is called 'Departmentalisation' or 'Grouping of activities' in the process of organising. They identified and grouped various activities such as refreshments, sound and music, tentage, gifts, invitations and cultural programme.

(ii) The next three steps they need to perform are:

1. **Assigning duties**: They should allocate specific tasks to individuals or groups responsible for each activity to ensure clarity of roles.
2. **Delegating authority**: They need to provide the necessary authority to the assigned members so they can make decisions and carry out their tasks effectively.
3. **Coordinating efforts**: They should ensure proper communication and collaboration among all the groups to avoid duplication and ensure smooth execution of the event.

These steps will help in successful organising and management of the farewell party.

> **Key Points: Step of departmentalisation or grouping of activities - Assigning duties - Delegating authority - Coordinating efforts**

Section D

Question 36.

'Yummi Foods', a fast-growing snacks chain has been in business for the last 13 years. Realising that there is a growing demand for nutritious food, the company planned to enter the healthy snacks segment. They decided to hire a Marketing Manager with an experience in this segment. For this, they gave an advertisement in a leading newspaper and received more than 200 applications. The Human Resource Manager carefully went through all the application forms and removed the application forms of those applicants who did not meet the basic qualifications. Short introductory interactions were also held to filter out candidates who did not match the job requirements. The shortlisted candidates were then asked to take a test designed to measure their intelligence, personality traits, etc. Candidates who performed well in the test were invited for a formal in-depth conversation to be evaluated on their suitability for the job. A job offer was made to a candidate for the role of a Marketing Manager through an appointment letter mentioning the joining date. But before the job offer was made, 'Yummi Foods' had performed three steps in the process of selection which are not mentioned above. Identify and explain the steps.

[6 Marks]

Answer: Answer:

The three steps performed by 'Yummi Foods' in the selection process before making the job offer are:

(a) **Application Forms and Preliminary Screening:** The company gave an advertisement to invite applications. The Human Resource Manager then screened these applications to remove those who did not meet the basic qualifications. This step helps in filtering out unsuitable candidates early.

(b) **Initial Interview or Short Introductory Interaction:** Short discussions were held with candidates to understand their background and suitability. This helps in assessing communication skills and motivation and to eliminate candidates who do not fit the job profile.

(c) **Written or Psychological Tests:** The shortlisted candidates were asked to take tests measuring intelligence, personality traits, and other relevant skills. These tests provide objective data on the candidates' abilities and help select candidates with the right mindset and skills.

After these steps, the formal interview was conducted to make an in-depth evaluation before the final selection and job offer.

These steps ensure that only the most suitable candidate is selected for the role of Marketing Manager in the healthy snacks segment at 'Yummi Foods'.

Key Points: Application form screening - Initial interview - Written/psychological tests

Question 37.

Explain the following points of importance of delegation :

(i) Employee development

(ii) Motivation of employees

(iii) Effective management

[6 Marks]

Answer: (a) **Employee Development:** Delegation helps in the growth and development of employees as it gives them an opportunity to learn new skills and handle responsibilities. When tasks are delegated, employees can gain experience and improve their capabilities, which prepares them for higher roles and increases their confidence.
(b) **Motivation of Employees:** Delegating authority shows that management trusts employees, which boosts their morale and motivation. It makes employees feel valued and recognized, encouraging them to work harder and take initiative. This leads to better job satisfaction and loyalty towards the organization.
(c) **Effective Management:** Delegation enables managers to distribute work effectively and focus on more important tasks like planning and decision-making. It improves efficiency by utilizing the skills of

many employees and helps in achieving organizational goals faster. It also reduces the burden on managers and prevents work overload.

Key Points: Employee development through skill growth - Motivation by trust and recognition - Efficient work management and focus on important tasks

Question 38.

'Novel Stores' is a chain of grocery stores that has built its reputation on customer satisfaction. It is known for its high-quality products, including a wide variety of bakery, dairy products and ready-to-cook meal kits, etc. catering to diverse customer needs. The store regularly takes feedback from the customers and stocks items accordingly. The store is popular among the customers for its attractive schemes such as 'buy one get one free' offers and weekly discounts, etc. which are advertised on its website. Once the goods are manufactured, packaged, branded and promoted, 'Novel Stores' ensures that they are made available to customers at the right place, in the right quantity and at the right time. Customers can place orders online and choose to get them delivered at their home or pick them up from the store at a selected time. As a result, the revenues of 'Novel Stores' are growing every year and profits are increasing. Identify and explain the elements of marketing mix highlighted in the above case.

[6 Marks]

Answer: The case of Novel Stores highlights various elements of the marketing mix, which are Product, Price, Place, and Promotion.

1. Product: Novel Stores offers high-quality products, including bakery items, dairy products, and ready-to-cook meal kits catering to diverse customer needs. They also take customer feedback to stock relevant items, ensuring the product meets customer preferences.

2. Price: The store uses attractive pricing schemes such as 'buy one get one free' offers and weekly discounts. These pricing strategies help attract more customers and increase sales.

3. Place: Novel Stores ensures products are available at the right place, right quantity, and right time. They provide convenient options such as online ordering with home delivery or in-store pickup, making it easier for customers to access products.

4. Promotion: The store promotes its schemes like discounts and offers through its website, making customers aware of ongoing deals and enhancing sales.

In summary, Novel Stores applies all the four P's of marketing mix effectively to satisfy customers and increase their revenue and profit.

Key Points: High-quality products catering to diverse needs - Attractive pricing schemes and discounts - Convenient place and availability options - Effective promotion through website

Question 39.

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

[6 Marks]

Answer: Importance of Directing Function of Management

Directing is a vital function of management which guides and motivates employees to achieve organizational goals. It plays an important role in the smooth functioning of an organization. The following are four points explaining the importance of directing:

(1) **Provides Guidance:** Directing provides necessary guidance to employees regarding their tasks and responsibilities. It ensures that every employee knows what to do, how to do, and when to do.

(2) **Motivates Employees:** Through various motivational techniques such as incentives, praise, and rewards, directing encourages employees to perform better and stay committed to their work.

(3) **Ensures Effective Communication:** Directing involves communication between managers and employees. It helps in clarifying doubts, solving problems, and exchanging ideas, which leads to better coordination.

(4) **Maintains Discipline:** Direction helps in maintaining discipline by setting standards and rules. It ensures that employees follow the company policies and work ethically, promoting a positive work environment.

Thus, directing is crucial as it integrates efforts, motivates workforce, and ensures achievement of organizational objectives efficiently.

> **Key Points: Provides Guidance - Motivates Employees - Ensures Effective Communication - Maintains Discipline**

Question 40.

Explain any four psychological barriers of communication.

[6 Marks]

Answer: Psychological barriers of communication are obstacles in effective communication caused by the mind and emotions of individuals. They create misunderstandings and affect the smooth flow of information.

(a) **Prejudice**: When a person has preconceived opinions or biases against others, it distorts the message reception and leads to communication failure.

(b) **Emotion**: Strong feelings like anger, fear, or sadness can affect how a message is sent or received. For example, anger may cause a person to react impulsively and misunderstand the message.

(c) **Overconfidence**: When someone is too confident about their knowledge, they may ignore other viewpoints or fail to listen properly, creating a communication gap.

(d) **Mistrust**: Lack of trust between communicators can make them doubt the intentions or honesty of the message, preventing open and honest communication.

Understanding these psychological barriers helps to improve communication by being aware of our own feelings and attitudes and making conscious efforts to overcome them.

Key Points: Prejudice - Emotion - Overconfidence - Mistrust

Question 41.

Explain the following points of importance of planning :

(i) Planning provides directions

(ii) Planning reduces overlapping and wasteful activities

(iii) Planning establishes standards for controlling

[6 Marks]

Answer: Importance of Planning:

(i) **Planning provides directions:** Planning helps managers and employees know what they need to do and how to do it. It sets clear goals and outlines the steps to achieve these goals, thereby giving a sense of direction to the entire organization. Without planning, efforts may be scattered and uncoordinated, leading to confusion and inefficiency.

(ii) **Planning reduces overlapping and wasteful activities:** Proper planning ensures that work is divided and assigned properly to avoid duplication of efforts. When activities are planned in advance, resources like time, money, and manpower are used efficiently. This reduces unnecessary overlapping of tasks and wastage of resources, leading to better productivity.

(iii) **Planning establishes standards for controlling:** Planning sets specific standards and benchmarks that help in measuring actual performance. These standards act as a guideline against which the progress and results of various activities can be compared. This makes it easier to identify deviations from the plan and take corrective actions in time, ensuring the achievement of organizational goals.

Key Points: Planning provides clear direction - Planning avoids duplicate and wasteful work - Planning sets standards for performance control