CBSE Class XII 2025 Business Studies Set 1 (66/2/1) Question Paper with Solutions

Time Allowed :3 Hours	Maximum Marks :70	Total Questions :33

General Instructions

Read the following instructions very carefully and strictly follow them:

1. This question paper comprises 34 questions. All questions are compulsory.
2. Question number 1 to 20 are Multiple Choice Questions (MCQs) carrying 1 mark each.
3. Question number 21 to 24 are Short Answer (VSA) type questions carrying 3 marks each and to be answer from 50 to 70 words.
4. Question number 25 to 30 carry 4 marks each and to be answer in about 150 words.
5. Question number 31 to 34 carry 6 marks each and to be answer in about 200 words.

1. "It is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims." Identify the process.
(A) Management
(B) Organising
(C) Staffing
(D) Directing

Correct Answer: (B) Organising

Solution: The described process involves creating and sustaining an environment where individuals collaborate in groups to efficiently achieve objectives. This is consistent with the concept of *Organising*, which focuses on structuring resources and assigning tasks to accomplish goals. Thus, the correct answer is option **(B) Organising**.

Quick Tip

The key to identifying the correct answer lies in recognizing that the process involves establishing structures and ensuring collaboration, which are characteristic of Organising.

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2. Kavi works as a Marketing Manager in stationery mart. It deals in various types of stationery items for many schools across the country. When a new session starts in schools, Kavi forecasts the sales of different stationery products for each

school for every month. All items are represented in numbers so that it becomes easier for him to compare the actual sales with expected sales. The type of plan discussed above is:

(A) Strategy
(B) Policy
(C) Programme
(D) Budget

Correct Answer: (D) Budget

Solution: Kavi is involved in forecasting sales and comparing actual sales with expected sales, which clearly indicates the need for a detailed financial plan. This is a classic example of a *Budget*, a financial plan that helps an organization track and control its financial performance. Thus, the correct answer is option **(D) Budget**.

> Quick Tip
>
> Budgets are financial tools that help in planning, controlling, and comparing actual performance against planned goals, as in Kavi's task of forecasting and tracking sales.

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3. Given below are two statements, Assertion (A) and Reason (R):

Assertion (A): Directing facilitates the introduction of needed changes in the organization.
Reason (R): Directing increases resistance to changes in the organization.
Choose the correct alternative from the options below:
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Assertion (A) is true, but Reason (R) is false.
(C) Assertion (A) is false, but Reason (R) is true.
(D) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

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

Solution: Assertion (A) is correct, as Directing is a function of management that helps in implementing necessary changes in the organization by guiding and motivating employees. Reason (R) is incorrect, as Directing generally reduces resistance to change by leading employees through the change process effectively.
Thus, the correct answer is option **(B) Assertion (A) is true, but Reason (R) is false**.

> Quick Tip
>
> Directing is aimed at guiding employees and ensuring changes are adopted smoothly. It doesn't increase resistance; instead, it reduces it through leadership and communication.

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4. CVX Ltd. was a leading company, manufacturing home appliances like food processors, juicers, and mixer grinders. The company was earning good profits and was paying high dividends to its shareholders consistently. The company now decided to manufacture soup-making machines, pop-up toasters, and electric irons. The company wanted to enter into emerging markets outside India also. Entering these markets will require additional capital investment, which will facilitate production and distribution infrastructure, etc. For this, the management decided to retain money out of their earnings to finance the required investment and distribute smaller dividends to the shareholders.

The factor affecting the dividend decision which was kept in mind by the management of CVX Ltd. for entering into emerging markets and launching new products was:
(A) Amount of Earnings
(B) Stability of Earnings
(C) Stability of Dividends
(D) Growth Opportunities

Correct Answer: (D) Growth Opportunities

Solution: The factor affecting dividend decisions in this case is the company's expansion into emerging markets. This expansion requires investment, so CVX Ltd. decided to retain earnings to finance the growth rather than distribute higher dividends. This reflects the importance of *Growth Opportunities* in dividend decision-making.
Thus, the correct answer is option **(D) Growth Opportunities**.

> Quick Tip
>
> When growth opportunities arise, companies often prioritize reinvestment over dividend payouts to fund expansion and achieve long-term objectives.

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5. Read the following statements carefully:
- Statement I: Staffing is that part of the process of management which is concerned with obtaining, utilizing, and maintaining a satisfied and satisfactory workforce.
- Statement II: Staffing is a continuous process.

In light of the given statements, choose the correct alternative from the following:
(A) Both the Statements are true.
(B) Both the Statements are false.
(C) Statement I is true, but Statement II is false.
(D) Statement II is true, but Statement I is false.

Correct Answer: (A) Both the Statements are true.

Solution: Statement I is correct as staffing involves the acquisition, deployment, and retention of a workforce, ensuring that employees are both satisfied and effective in their roles. Statement II is also valid since staffing is an ongoing function within an organization, continuously addressing workforce needs at various stages of business operations.
Thus, the correct answer is option **(A) Both the Statements are true**.

Quick Tip

Staffing is an ongoing function that ensures businesses have the right personnel by continually recruiting, training, and managing employees.

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6. Choose the statement that correctly highlights the benefit of using internal sources of recruitment:

(A) It helps in simplifying the process of selection.
(B) It provides a wider choice while selecting employees.
(C) It brings new blood in the organization.
(D) It is an expensive and time-consuming source.

Correct Answer: (A) It helps in simplifying the process of selection.

Solution: Internal recruitment facilitates a streamlined selection process as the candidates are already part of the organization. Their performance, skills, and work ethics are well known, reducing the need for extensive screening and training. Unlike external hiring, which brings in new talent but requires significant resources, internal recruitment is a cost-effective and time-saving alternative.
Thus, the correct answer is option **(A) It helps in simplifying the process of selection**.

Quick Tip

Internal recruitment provides a quicker and more cost-efficient method of hiring by utilizing existing employees who are already familiar with the organization's environment.

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7. Atul was working as an employee in a readymade garments factory. He was very sincere and dedicated and always completed his work in time. It pained him to see that his colleagues were reluctant to do the work even though they had the ability to do it.

Due to his good behavior and willingness to work, he was promoted to the post of the supervisor of the same team in which he was a worker earlier. He understood very well that it was not always possible to get the best work from employees merely by exercising formal authority. He had insights into the causes of behavior of people. He knew how to get the work done by the workers in a desired manner to achieve the organizational objectives. Under his supervision, even the workers who were reluctant to work started working efficiently and effectively.
From the following, identify the concept used by Atul, as a supervisor to get the work completed:
(A) Leadership
(B) Financial Incentives
(C) Motivation
(D) Non-financial Incentives

Correct Answer: (A) Leadership

Solution: Atul displayed effective leadership qualities by inspiring his team members and positively influencing their work ethic. Instead of solely relying on his authority, he utilized his understanding of human behavior to encourage productivity and dedication among his subordinates.
Thus, the correct answer is option **(A) Leadership**.

> **Quick Tip**
>
> Leadership is about inspiring and directing employees to perform efficiently by understanding their motivations and fostering a positive work environment.

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8. Isha Sweets' was set by Isha Sharma to prepare and sell organic, vegan, and healthy sweets alternatives like hazelnuts date ladoos, dry fruit date burfi, stuffed mejdool dates, etc. For the last many years, the demand for her products was very high as people these days prefer to buy healthier alternatives for consumption as well as gifting purposes. But this year suddenly, the cost of dates, dry fruits, and other ingredients used for preparing these healthy sweets had increased. With rising prices of raw materials, larger amounts of funds were required to maintain a constant volume of production and sales. As a result, the working capital requirement of Isha Sweets became higher.

The factor which led to an increase in the working capital requirements of Isha Sweets was:
(A) Availability of raw material
(B) Inflation
(C) Scale of business
(D) Production cycle

Correct Answer: (B) Inflation

Solution: The rise in the cost of essential ingredients such as dates and dry fruits led to an increased requirement for working capital. This situation reflects inflation, where the overall prices of goods and services rise, affecting the financial needs of a business.
Thus, the correct answer is option **(B) Inflation**.

> **Quick Tip**
>
> Inflation results in higher input costs, increasing a company's working capital needs to sustain production and sales levels.

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9. The process of organizing allows a business enterprise to accommodate changes in the business environment. It allows the organization structure to be suitably modified to pave the way for a smooth transition.

The point of importance of the organizing function of management highlighted in the above lines is:

(A) Benefits of specialization
(B) Clarity in working relationships
(C) Optimum utilization of resources
(D) Adaptation to change

Correct Answer: (D) Adaptation to change

Solution: The organizing function ensures that businesses can adjust to changes in the external environment. By modifying their structure as needed, organizations can transition smoothly and maintain efficiency in operations.
Thus, the correct answer is option **(D) Adaptation to change**.

> Quick Tip
>
> A flexible organizational structure helps businesses remain competitive by adapting to market and environmental changes.

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10. A buyer buys a product or service for what it does for him/her or the benefit it provides to him/her. There can be three types of benefits a consumer may seek to satisfy from the purchase of a product: (i) Functional benefits, (ii) Social benefits, and (iii) ...
The third type of benefit is:
(A) Technological benefits
(B) Economic benefits
(C) Psychological benefits
(D) Environmental benefits

Correct Answer: (C) Psychological benefits

Solution: The third type of benefit a consumer looks for is psychological benefits, which refer to the emotional and mental satisfaction derived from using a product. This can include feelings of confidence, prestige, happiness, or self-esteem that come with ownership or use.
Thus, the correct answer is option **(C) Psychological benefits**.

> Quick Tip
>
> Consumers often make purchases based on emotions such as comfort, prestige, or social status, which are categorized as psychological benefits.

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11. Nimesh was working as a Production Manager in H.L. Ltd., an electrical wire manufacturing company. One of the vendors who was supplying copper to H.L. Ltd. wanted to close down his business within 15 days as he had to go abroad to live with his son. The vendor was selling all his stocks at a 60% discount. Nimesh wrote a letter to the General Manager to seek approval for procurement of this

material. But due to rigid rules and cumbersome procedures, there was a delay in getting sanction, and the order could not be placed.
The type of communication barrier that led to procedural delay was:
(A) Semantic barrier
(B) Psychological barrier
(C) Organizational barrier
(D) Personal barrier

Correct Answer: (C) Organizational barrier

Solution: The delay in procurement resulted from an organizational barrier, which arises when a company's internal processes and hierarchical structures slow down communication and decision-making. In this case, strict procedural rules prevented timely approval, leading to the missed opportunity.
Thus, the correct answer is option **(C) Organizational barrier**.

> Quick Tip
>
> Organizational barriers occur due to rigid procedures, bureaucratic inefficiencies, or complex communication channels within an organization.

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12. 'The right of an individual to command his subordinates and to take action within the scope of his position' is called:
(A) Decentralization
(B) Authority
(C) Responsibility
(D) Accountability

Correct Answer: (B) Authority

Solution: Authority refers to the legal or official power given to an individual within an organization, allowing them to direct subordinates and make decisions. It is an essential component of management, enabling smooth operations and effective leadership.
Thus, the correct answer is option **(B) Authority**.

> Quick Tip
>
> Authority is the formal right granted to a manager or leader to give instructions, make decisions, and control resources within an organization.

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13. As per the Consumer Protection Act, 2019, which of the following statement is correct?
(A) In case the aggrieved party is not satisfied with the order of the District Commission, he can directly appeal before the National Commission.

(B) In case the aggrieved party is not satisfied with the order of the District Commission, he can directly appeal before the Supreme Court.
(C) In case the aggrieved party is not satisfied with the order of the State Commission, he can directly appeal before the Supreme Court.
(D) In case the aggrieved party is not satisfied with the order of the National Commission, he can appeal before the Supreme Court.

Correct Answer: (A) In case the aggrieved party is not satisfied with the order of the District Commission, he can directly appeal before the National Commission.

Solution: Under the Consumer Protection Act, 2019, a consumer dissatisfied with a decision from the District Commission has the right to appeal to the National Commission. This appeal process allows consumers to seek further resolution at a higher authority.
Thus, the correct answer is option **(A) In case the aggrieved party is not satisfied with the order of the District Commission, he can directly appeal before the National Commission.**

> Quick Tip
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> The Consumer Protection Act, 2019 ensures that consumers have the right to appeal against decisions at different levels, with the National Commission handling appeals from District Commission cases.

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14. Identify the dimension of business environment illustrated by the given picture:

(A) Social
(B) Political
(C) Technological
(D) Economic

Correct Answer: (C) Technological

Solution: The image represents an AI news anchor, which is an example of technological advancement. This falls under the technological dimension of the business environment, as it highlights innovations that influence business operations and industries.
Thus, the correct answer is option **(C) Technological**.

Quick Tip

Technological advancements lead to new products, services, and processes that transform industries and consumer experiences.

FOR VISUALLY IMPAIRED STUDENTS

14. Shifts in demand from steam locomotives to electric engines, from fountain pens to ball-point pens, from typewriters to computer-based word processors highlights which of the following dimensions of business environment?
(A) Economic
(B) Technological
(C) Political
(D) Social

Correct Answer: (B) Technological

Solution: The transition from older technologies to modern alternatives reflects the impact of technological advancements in business. These changes showcase how businesses must adapt to new technologies to remain competitive in the market.
Thus, the correct answer is option **(B) Technological**.

Quick Tip

Technological evolution drives innovation, leading to improved products and services that cater to changing consumer needs.

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15. Given below are two statements, Assertion (A) and Reason (R):
- Assertion (A): Planning involves looking ahead and preparing for the future.
- Reason (R): The purpose of planning is to meet future events effectively to the best advantage of an organization.

Choose the correct alternative from the alternatives given below:
(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

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

Solution: Assertion (A) is correct because planning is a forward-looking function that prepares organizations for future uncertainties. Reason (R) is also true, as planning helps organizations navigate future events effectively. However, it does not fully explain Assertion (A), as planning also involves setting goals, allocating resources, and formulating strategies.
Thus, the correct answer is option **(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).**

Quick Tip

Planning is essential for setting goals, making strategies, and preparing for uncertainties to ensure business success.

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16. Match the techniques of scientific management given in Column - I with their meaning given in Column - II:

Column - I	Column - II
(a) Method Study	(i) It refers to the study of movements like lifting, putting objects, sitting and changing positions etc. which are undertaken while doing a typical job.
(b) Motion Study	(ii) It determines the amount and frequency of rest intervals in completing a task.
(c) Time Study	(iii) It determines the standard time taken to perform a well-defined job.
(d) Fatigue Study	(iv) It determines one best way of doing a job.

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

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

Solution:
- *Method Study (a)* refers to the study of movements like lifting and putting objects, which is described in (i).

- *Motion Study (b)* involves the amount and frequency of rest intervals, which is described in (ii).
- *Time Study (c)* involves determining the standard time taken to perform a job, which is described in (iii).
- *Fatigue Study (d)* focuses on finding the best way to perform a task, which is described in (iv).

Thus, the correct answer is option **(A) (a) - (i), (b) - (ii), (c) - (iii), (d) - (iv)**.

Quick Tip

Scientific management techniques aim to improve efficiency by analyzing methods, motion, time, and fatigue to optimize performance.

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17. Akshara runs a business in the name of 'AK Solutions' in a well-reputed area of her city, where people provide spaces to students as libraries, study centres, and as training and event centres to businesses. Akshara provides only conference halls to big and small enterprises for their meetings and events.

Suddenly, in July 2024, floods affected some libraries and study centres in her neighbouring area. The exams were fast approaching, and students were facing a lot of problems as these study centres and libraries had to be closed.

Taking advantage of this opportunity and to help the students, 'AK Solutions' adapted itself to the needs of the environment. They decided to convert some of their conference halls into libraries and study centres. They also decided to provide food and other facilities required by the students at subsidized rates. This initiative increased their business manifold and earned them significant goodwill.

The feature of management highlighted in the above case is:

(A) Management is a continuous process.

(B) Management is an intangible force.

(C) Management is a dynamic function.

(D) Management is a group activity.

Correct Answer: (C) Management is a dynamic function.

Solution: In the given case, the business adapts itself to the changing environment and acts according to the external challenges (floods, student needs). This highlights that management is dynamic and constantly adjusts to internal and external changes.

Thus, the correct answer is option **(C) Management is a dynamic function**.

Quick Tip

Management is dynamic and must adjust to changes in the environment to ensure success and sustainability.

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18. Increase in the profit earned by the equity shareholders due to the presence of fixed financial charges like interest is called:
(A) Financial planning
(B) Dividend decision
(C) Financing decision
(D) Trading on equity

Correct Answer: (D) Trading on equity

Solution: Trading on equity refers to the use of fixed financial charges, such as debt, to increase the return on equity shareholders. It increases the risk for equity holders but also enhances their profit.
Thus, the correct answer is option **(D) Trading on equity**.

Quick Tip
Trading on equity can increase returns for shareholders by using debt financing, but it also increases financial risk.

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19. Read the following statements carefully:
- Statement I: The cost of debt is more than the cost of equity. - Statement II: Lenders' risk is lower than the equity shareholders' risk.
In light of the given statements, choose the correct alternative from the following:
(A) Both the statements are true.
(B) Both the statements are false.
(C) Statement I is true, Statement II is false.
(D) Statement I is false, Statement II is true.

Correct Answer: (B) Both the statements are false.

Solution: The cost of debt is generally lower than the cost of equity because debt involves fixed interest payments, while equity holders require a higher return due to greater risk. Lenders' risk is generally lower than equity shareholders' risk since lenders are paid first in the event of liquidation.
Thus, the correct answer is option **(B) Both the statements are false**.

Quick Tip
Debt is cheaper than equity due to the fixed nature of debt payments and lower associated risk for lenders compared to equity shareholders.

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20. 'To ensure that enough funds are available at the right time to honour the commitments and to carry out the plans' is discussed in which of the following concepts?

(A) Capital Structure
(B) Financial Leverage
(C) Financial Planning
(D) Investment Decision

Correct Answer: (C) Financial Planning

Solution: Financial planning involves forecasting the financial needs of the organization, ensuring that funds are available to meet commitments and carry out plans effectively.
Thus, the correct answer is option **(C) Financial Planning**.

> Quick Tip
>
> Financial planning ensures that a business has adequate funds at the right time to meet obligations and implement plans.

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21 (a). Explain the following functions of Stock Exchange:
(i) Providing liquidity and marketability to existing securities

Solution: The stock exchange serves as a marketplace where investors can buy and sell existing securities, ensuring their liquidity. Liquidity means that securities can be converted into cash quickly without significant price fluctuations.
Marketability, on the other hand, refers to the ease with which securities can be traded at prevailing market prices. The continuous availability of buyers and sellers ensures that investors can trade securities conveniently, maintaining a dynamic financial environment.
Thus, stock exchanges provide liquidity and marketability, allowing investors to convert their holdings into cash as needed.

> Quick Tip
>
> Liquidity allows assets to be bought and sold quickly, while marketability ensures they are actively traded in financial markets.

(ii) Pricing of securities

Solution: The stock exchange facilitates the process of price determination for securities through the forces of demand and supply. Investors continuously engage in buying and selling, which helps in discovering fair market prices.
Stock prices fluctuate based on company performance, economic conditions, and investor sentiment. The transparency maintained in stock exchanges ensures that prices reflect the real market value of the securities being traded.
Thus, the pricing of securities in stock exchanges is a transparent process based on market demand and supply, ensuring fairness and efficiency.

Quick Tip

Price discovery in stock exchanges happens through continuous transactions between buyers and sellers, ensuring a fair valuation.

(iii) Safety of transaction

Solution: Stock exchanges operate under strict regulations and guidelines to ensure that transactions are safe, fair, and transparent. Regulatory authorities monitor trading activities to prevent fraud and manipulation.
By enforcing rules and compliance measures, stock exchanges protect investors from malpractices, ensuring that securities transactions are conducted smoothly in a secure and trustworthy environment.
Thus, the function of ensuring the safety of transactions fosters confidence among investors and encourages greater participation in the market.

Quick Tip

Stock exchanges are governed by regulatory bodies that ensure fairness, security, and transparency in all transactions.

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21 (b). Differentiate between 'Primary Market' and 'Secondary Market' on the basis of any three points.

Solution: The primary market is where new securities are issued and sold for the first time by companies to raise capital. In contrast, the secondary market is where investors trade existing securities among themselves after they have been issued.
In the primary market, the company directly benefits from the sale of securities, whereas in the secondary market, the issuer is not involved in the transaction, and investors trade among themselves.
The primary market facilitates capital raising for new projects, while the secondary market provides liquidity to investors by allowing them to buy and sell securities freely.
Thus, the main differences between the primary and secondary markets are:
1. The primary market deals with new securities, whereas the secondary market involves the trading of previously issued securities.
2. In the primary market, the issuer benefits from the sale, while in the secondary market, investors trade among themselves.
3. The primary market focuses on raising funds, while the secondary market ensures liquidity for investors.

Quick Tip

The primary market is where securities are issued for the first time, while the secondary market allows investors to trade these securities freely.

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22. (i) Identify the concept discussed in the above case.

Solution: The concept highlighted in the case is *Communication*. The business faced challenges due to a lack of effective communication between the in-charge of Kagpur city and the employees. Without proper communication, the employees failed to understand the features and benefits of the products, which impacted sales.
Effective communication ensures that relevant information is conveyed clearly, facilitating smooth operations and better decision-making.
Thus, the concept discussed is **Communication**.

Quick Tip

Clear and effective communication is essential in business to ensure that employees understand product features and convey them effectively to customers.

(ii). The concept identified in (i) above can be defined as a process having various elements. State the first five elements of this process.

Solution: The communication process consists of several key elements. The first five elements are:

1. *Sender*: The person or entity that initiates the message. In this case, Radhika or the marketing manager acted as the sender.
2. *Message*: The information, idea, or instructions being communicated. Here, the message was the details about the product features and benefits.
3. *Encoding*: The process of converting the message into a form that can be understood by the receiver, such as verbal communication or written instructions.
4. *Channel*: The medium used to transmit the message, such as meetings, emails, or presentations.
5. *Receiver*: The person or group who receives and interprets the message, in this case, the employees at the parlours.
Thus, the first five elements of the communication process are *Sender, Message, Encoding, Channel, and Receiver.*

Quick Tip

A successful communication process requires clarity, the right medium, and proper encoding to ensure the receiver understands the message effectively.

23(a). Give the meaning of 'Capital Market'. Differentiate between 'Capital Market' and 'Money Market' on the basis of:
(i) Participants (ii) Instruments

Solution: The *Capital Market* is a financial marketplace where long-term investment instruments such as stocks, bonds, and debentures are bought and sold. It plays a crucial role in mobilizing funds for businesses and governments to finance long-term investments.
The differences between the Capital Market and Money Market based on the given parameters are:
(i) Participants:
- In the *Capital Market*, the key participants include investors, brokers, financial institutions, and companies issuing long-term securities.
- In the *Money Market*, the primary participants are banks, financial institutions, and government agencies that deal with short-term lending and borrowing.

(ii) Instruments:
- The *Capital Market* deals with instruments such as shares, bonds, debentures, and equity securities.
- The *Money Market* includes instruments like Treasury bills, commercial papers, and certificates of deposit, which are short-term in nature.

Thus, the Capital Market is concerned with long-term financial needs, whereas the Money Market handles short-term financing.

Quick Tip

The Capital Market facilitates long-term investments, while the Money Market focuses on short-term liquidity and financial stability.

23(b). State any three 'Regulatory functions' of the Securities and Exchange Board of India (SEBI).

Solution: The Securities and Exchange Board of India (SEBI) is responsible for regulating and overseeing the securities market to protect investor interests and ensure fair trading practices. Three key regulatory functions of SEBI are:
1. *Regulation of Stock Exchanges*: SEBI monitors and regulates stock exchanges to ensure that they operate transparently and fairly, preventing market manipulation.
2. *Investor Protection*: SEBI enforces regulations that safeguard investors from fraudulent activities and ensures that companies provide accurate and timely disclosures.
3. *Control of Insider Trading*: SEBI actively monitors trading activities to prevent insider trading and takes action against those who misuse confidential information for personal gain.

Thus, SEBI plays a critical role in maintaining transparency, fairness, and investor confidence in the securities market.

Quick Tip

SEBI ensures that securities markets function efficiently by regulating stock exchanges, protecting investors, and preventing unfair trade practices.

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24. Aman, a young graduate was living away from home in another city. He had problems in cooking and heating food. He decided to purchase a microwave oven for the same. He went to the market, visited many shops and compared various microwave oven brands available in the market. He compared features, price, after-sale service, and customer reviews etc., to make an informed choice as per his needs.
After selecting the oven, he checked that it should have an ISI mark. This gave him confidence about the safety, standards, and quality of the oven. After reaching home, he followed the manufacturer's instructions for safe installation and use of the microwave oven. This helped him in avoiding any risk associated with the usage of the microwave oven.
By doing all this, Aman kept in mind various responsibilities while purchasing and using the microwave oven. Still, he left some of the responsibilities that were not fulfilled by him.
State any three responsibilities that were not fulfilled by him.

Solution: The case highlights *Consumer Responsibility*, which includes ensuring that a product meets safety and quality standards, using it correctly, and making informed purchasing decisions. While Aman fulfilled several consumer responsibilities, he failed to address some important aspects. The three responsibilities he did not fulfill are:
1. *Environmental Responsibility:*
- Aman did not consider the environmental impact of the microwave oven's disposal. A responsible consumer should ensure proper recycling and disposal of electronic appliances to minimize environmental harm.
- **Example:** He could have checked whether the manufacturer offers a recycling program for old appliances.
2. *Post-Purchase Support:*
- While Aman verified product quality and safety, he did not explore post-purchase support options such as warranty registration or regular servicing.
- **Example:** He could have inquired about maintenance services or the process for claiming warranty in case of defects.
3. *Energy Efficiency Consideration:*
- Aman did not check the microwave's energy efficiency, which could impact electricity consumption and long-term costs.
- **Example:** He could have compared energy ratings before purchasing to select a more efficient model.
Thus, being a responsible consumer goes beyond product selection and includes environmental, post-purchase, and energy efficiency considerations.

Quick Tip

A responsible consumer considers not only product quality but also its environmental impact, post-purchase care, and energy efficiency.

25(a). Explain the following principles of management given by Fayol:
(i) Division of Work

Solution: The *Division of Work* principle states that work should be divided into smaller, specialized tasks and assigned to individuals based on their skills and expertise. Specialization enhances efficiency, productivity, and accuracy in task execution.
By allowing employees to focus on specific responsibilities, organizations can improve workflow and reduce duplication of effort.
Thus, division of work leads to specialization, increased efficiency, and better overall performance.

Quick Tip

Specialization through division of work leads to higher efficiency, improved expertise, and enhanced productivity.

(ii) Authority and Responsibility

Solution: The *Authority and Responsibility* principle states that authority (the right to make decisions) must be balanced with responsibility (accountability for actions). A manager who has decision-making power must also bear the consequences of those decisions.
If there is an imbalance between authority and responsibility, either misuse of power or inefficiency can arise.
Thus, authority and responsibility must go hand-in-hand to ensure proper decision-making and accountability in an organization.

Quick Tip

Authority allows decision-making, while responsibility ensures accountability—both must be balanced for effective management.

25(b). Explain the following points of significance of principles of management:
(i) Providing managers with useful insights into reality

Solution: The principles of management provide a practical framework that helps managers understand and tackle real-world organizational challenges. They provide guidelines that assist managers in addressing complex situations and making informed decisions.

By applying these principles, managers can better understand the dynamics of the workplace, the nature of their teams, and the overall goals of the organization, which improves decision-making.
Thus, principles of management provide critical insights that guide managers in the practical aspects of running an organization.

> Quick Tip
>
> The application of management principles offers managers clarity and direction, leading to more effective decision-making.

(ii) Optimum utilization of resources and effective administration

Solution: The principles of management ensure that resources (human, financial, physical) are used effectively to achieve organizational goals. By focusing on optimizing resource allocation, organizations can avoid wastage and maximize productivity.
Additionally, the principles help in ensuring that administration is carried out efficiently. By following these principles, managers can streamline processes, reduce inefficiencies, and improve overall performance.
Thus, applying these principles helps in making the best use of available resources while maintaining effective administration.

> Quick Tip
>
> Efficient resource utilization is key to maximizing productivity and achieving organizational goals while minimizing costs.

26(a). Explain the following features of co-ordination:
(i) Co-ordination integrates group efforts.

Solution: The feature of co-ordination integrates the efforts of individuals or departments within an organization, ensuring that everyone is working towards a common goal. It helps synchronize various activities and tasks performed by different teams, avoiding duplication of work.
Effective co-ordination leads to the smooth functioning of the organization as it brings together the efforts of all the employees and integrates them to achieve organizational goals.
Thus, co-ordination integrates group efforts by aligning the actions of all team members.

> Quick Tip
>
> Co-ordination ensures that all teams and departments are aligned and work together efficiently towards shared goals.

(ii) Co-ordination is the responsibility of all managers.

Solution: Co-ordination is not just the responsibility of one person or department but is a shared responsibility. Every manager, irrespective of their role or level, must ensure that their team's efforts are well-coordinated with other teams and departments within the organization. Managers need to foster effective communication and resolve conflicts between departments to maintain smooth co-ordination across the organization.
Thus, co-ordination is a shared responsibility that must be managed by all managers in the organization.

> Quick Tip
>
> Effective co-ordination requires collective responsibility from all levels of management to ensure seamless integration of efforts.

26(b). Explain the following features of management:
(i) Management is a goal-oriented process.

Solution: Management is focused on achieving specific goals or objectives. Every action taken by managers should be directed towards fulfilling these goals, whether they are related to increasing profits, improving operational efficiency, or achieving customer satisfaction.
A goal-oriented approach ensures that all efforts in the organization are aligned towards common objectives, which guides the decisions and actions of management.
Thus, management is inherently focused on achieving predetermined goals, providing clear direction to all organizational activities.

> Quick Tip
>
> Setting clear goals ensures that all actions and decisions in the organization are aligned and contribute towards achieving these goals.

(ii) Management is a continuous process.

Solution: Management is not a one-time activity but a continuous process. It involves regular activities such as planning, organizing, directing, and controlling that take place continuously to ensure the organization achieves its goals.
As the organization grows and changes, management adapts to the new environment, constantly reviewing strategies and adjusting plans. This ensures the organization remains aligned with its objectives over time.
Thus, management is an ongoing, continuous process that adapts to the evolving needs of the organization.

Quick Tip

Management is a continuous cycle, with regular adjustments to strategies and goals, ensuring the organization stays on track in a changing environment.

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27. Nisha had given some old dresses of her own to her house-helper Beenu. After a few days, Nisha was happily surprised when she saw Beenu wearing one of the dresses beautifully refurbished. On enquiry, Beenu told Nisha that this was done by her daughter who had just completed her Class 12th studies. Beenu also told Nisha that she was a little concerned as her daughter did not want to study further, Nisha was very much impressed by the creativity of Beenu's daughter, so she decided to set up a small business for her. Nisha bought 15 sewing machines and appointed 15 girls to refurbish the old dresses. Nisha also arranged old dresses from various sources and employed a person who will sell these dresses at a very low cost for those who could not purchase new dresses due to their low income.
Nisha divided the girls in three equal groups, each having five sewing machines. Each group was given a target of refurbishing 150 old dresses in a fortnight with a cost of Rs. 30 per dress.
After a fortnight, Nisha, who was supervising this business with Beenu, was informed that Group I was able to meet the target by refurbishing 150 old dresses at a cost of Rs. 30 per dress. Group II was able to refurbish 150 old dresses at a cost of Rs. 35 per dress, whereas Group III could refurbish only 140 old dresses but at a cost of Rs. 27 per dress.
(i) Identify the concepts of management discussed above for each of the three groups giving reason in support of your answer.

Solution: The management concepts discussed in the case can be identified as:
1. Group I: *Efficiency* – Group I met its target of refurbishing 150 dresses at the planned cost of Rs. 30 per dress. This shows that the group worked efficiently, achieving its target within the expected cost.
2. Group II: *Cost Control and Planning* – Group II met its target but at a higher cost (Rs. 35 per dress). This indicates that while the group was able to complete the task, it did not control costs effectively. The increase in cost suggests a lack of planning or inefficiency in using resources.
3. Group III: *Resource Utilization and Cost Management* – Group III could refurbish only 140 dresses, which is below the target. However, they did so at a lower cost (Rs. 27 per dress). While they were more cost-efficient, they failed to meet the quantity target, indicating issues with resource utilization and planning.
Thus, the management concepts discussed are Efficiency, Cost Control, and Resource Utilization.

Quick Tip

Efficiency is achieved when an organization meets its goals with the least amount of resources, while cost control ensures that tasks are completed within budget.

(ii) Give meaning of the concepts identified in (i) above and state which one is important for the management and why?

Solution: The meaning of the concepts identified in part (i) are:
1. Efficiency: This refers to achieving the desired output (refurbishing 150 dresses) using the least amount of resources (costs). It is a measure of how well resources are utilized to achieve the target.
2. Cost Control: This concept involves managing and reducing costs while still achieving the required output. It is essential in ensuring that the process stays within budget without compromising quality.
3. Resource Utilization: This refers to how effectively the available resources (sewing machines, workers, etc.) are used. Proper resource utilization ensures that the organization can achieve its goals without wastage or inefficiency.
The most important concept for management is **Efficiency**. While cost control and resource utilization are also crucial, efficiency ensures that the organization achieves its goals with the least amount of effort and resources. In the given case, Group I exemplifies efficiency by meeting both the target and cost expectations, making it the most important factor for management.

Quick Tip

Efficiency is the cornerstone of effective management. By achieving goals with optimal resources, organizations can maximize productivity and minimize waste.

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28. Identify and explain the two points of importance of the 'Planning' function of management highlighted in the above paragraph.

Solution: The two significant aspects of the 'Planning' function of management emphasized in the given scenario are:
1. Establishing Clear Objectives: - Planning is essential for defining clear and specific objectives within an organization. In this case, Prachi ensures that all teachers are well-informed about their goals, providing them with a clear sense of direction. When objectives are clearly defined, it helps individuals align their actions accordingly, reducing uncertainty and enhancing focus.
Example: By clearly communicating teaching strategies and expectations, Prachi helps teachers understand their responsibilities, leading to improved performance and a structured approach to their work.
2. Ensuring Coordination Among Activities: - Planning serves as a mechanism for coordinating different activities across an organization. In this case, Prachi's structured planning facilitates seamless coordination among teachers handling various subjects, ensuring that they work toward a unified goal. Proper coordination prevents overlapping efforts, avoids inefficiencies, and enhances collaboration among team members.
Example: With a well-structured plan, all teachers remain aligned with a shared teaching methodology, ensuring consistency in the learning process for students with special needs.
Thus, planning plays a vital role in setting clear objectives and promoting coordination, ensuring organizational efficiency.

Quick Tip

Planning provides a roadmap for achieving goals by clearly defining objectives and ensuring that all activities are well-coordinated.

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29. (i) Identify and give the meaning of the element of the marketing-mix discussed above.

Solution: The element of the marketing mix reflected in the given case is Promotion. Promotion refers to the various strategies and techniques used by businesses to inform, persuade, and influence customers to purchase their products or services.
In the given case, the gym employed promotional techniques such as an attractive advertisement and time-sensitive offers (50% discount, free coaching, and free protein diet) to generate interest and encourage Anika to enroll.
Promotional activities are crucial for creating brand awareness, boosting customer engagement, and influencing purchasing decisions. By offering limited-time incentives, businesses create urgency, compelling customers to act quickly.
Thus, Promotion in the marketing mix is a key tool used by businesses to attract and retain customers.

Quick Tip

Promotion involves various marketing tactics such as advertisements, discounts, and special offers to attract customers and increase sales.

(ii) Identify and explain the tools of communication highlighted in the above paragraph.

Solution: The communication tools used in the promotion of the gym include:
1. Advertising: - Anika noticed an attractive poster outside her office, which encouraged her to inquire about the gym. Advertising is a powerful promotional tool used by businesses to reach a large audience through various media such as posters, billboards, social media, or television commercials. It creates awareness and generates interest in the product or service.
2. Sales Promotion: - The gym provided a 50% discount, a free personal trainer, and a free protein diet, which are classic examples of sales promotion. These short-term incentives are designed to boost customer interest and drive immediate purchases.
3. Public Relations: - By offering free protein diets and additional benefits, the gym aimed to establish a positive image in the minds of potential customers. Public relations strategies focus on building a strong reputation and fostering customer loyalty through goodwill gestures and value-added services.
By utilizing these communication tools, businesses can effectively market their offerings and encourage potential customers to take action.

> 💡 Quick Tip
>
> Communication tools like advertising, sales promotions, and public relations help businesses attract, engage, and retain customers.

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30. (i) Identify and state the financial decision discussed in the above paragraph.

Solution:
Financial Decision Identified: The financial decision discussed in the given case is Investment Decision. Investment decisions involve the allocation of financial resources into assets that will generate returns over time.
Explanation of Investment Decision: Investment decisions pertain to long-term capital expenditures, such as purchasing equipment, infrastructure, or new technology. These decisions require thorough evaluation as they involve significant financial commitments and are generally irreversible.
In the given scenario, Amit and Bijoy's decision to invest in advanced technology for maintaining quality and hygiene at their food outlets exemplifies an investment decision. This choice impacts the future growth and sustainability of their business.
Significance of Investment Decision: Investment decisions shape the financial health of a company and influence its ability to expand operations. Since these decisions involve a substantial capital outlay, careful assessment of costs, benefits, and risks is necessary.
Thus, the financial decision mentioned in the case refers to Investment Decision, which plays a crucial role in business growth and operational efficiency.

> 💡 Quick Tip
>
> Investment decisions require a detailed evaluation of potential risks, costs, and expected returns, as they directly affect the long-term success of a business.

(ii) Explain any two factors affecting the decision identified in (i) above.

Solution:
Two Factors Affecting Investment Decisions: Investment decisions are influenced by several factors, including:
1. Cost of Investment: - The cost of acquiring assets plays a critical role in investment decisions. In the given case, the purchase of machines worth Rs. 12 crores is a significant expense. Business owners must evaluate whether the investment aligns with their financial capabilities and long-term profitability.
Example: If the business has sufficient funds or access to financing options, the investment may be feasible. However, if the cost strains financial resources, it may pose a risk.
2. Irreversibility of the Decision: - Investment decisions are often long-term and irreversible. Once the business commits to acquiring new machinery, the funds cannot be easily recovered. This makes it essential to carefully analyze potential returns before making the decision.

Example: If customer demand fluctuates or competition increases, the business may struggle to recover the investment cost. Therefore, proper market research and forecasting are essential before finalizing such decisions.
Thus, the cost of investment and the irreversibility of the decision are two key factors influencing investment choices, requiring careful financial planning.

> Quick Tip
>
> Investment decisions must be based on financial feasibility, expected returns, and long-term sustainability to minimize risks and maximize profitability.

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31. (a) Explain the following steps in the process of selection:
(i) Preliminary Screening

Solution: The initial stage of the selection process is known as *Preliminary Screening*. This step involves evaluating applications and resumes to shortlist candidates who fulfill the basic qualifications for the job. The purpose of preliminary screening is to eliminate unsuitable candidates early on and move forward only with those who meet the minimum eligibility criteria. During this phase, recruiters review essential aspects such as educational background, work experience, and required skill sets. Candidates who do not meet these fundamental requirements are not considered for further selection.
This step ensures efficiency in the hiring process by focusing only on the most suitable candidates, thereby saving time and resources.

> Quick Tip
>
> Preliminary screening helps organizations efficiently identify the most qualified candidates by filtering out unsuitable applicants early in the process.

(ii) Selection Tests

Solution: *Selection Tests* are structured assessments used to evaluate a candidate's suitability for a particular job role. These tests measure various attributes such as knowledge, skills, aptitude, intelligence, personality, and other relevant abilities.
Different types of selection tests include aptitude tests, technical skill assessments, psychometric evaluations, and personality tests. Each type is designed to assess a specific characteristic that is essential for job performance.
These tests provide an objective method of evaluating candidates, minimizing bias and helping employers make informed hiring decisions.

> Quick Tip
>
> Selection tests provide an unbiased and standardized way to assess candidates' capabilities, ensuring that hiring decisions are based on merit.

(iii) Employment Interview

Solution: The *Employment Interview* is a crucial stage in the selection process where employers interact with candidates to assess their skills, qualifications, experience, and personality.
Interviews can be structured (following a set list of questions), semi-structured, or unstructured (allowing free-flowing conversation). The purpose of an interview is to evaluate not only the candidate's technical knowledge but also their communication skills, problem-solving ability, and overall fit within the company culture.
This step helps employers determine if the candidate aligns with the company's values and expectations before making a final hiring decision.

Quick Tip

Interviews allow employers to assess candidates' skills, attitudes, and personalities in real-time, helping them choose the best fit for the organization.

(iv) Reference and Background Checks

Solution: *Reference and Background Checks* are conducted to verify the accuracy of the information provided by a candidate during the hiring process. This step ensures that the candidate's educational qualifications, work experience, and other claims are genuine.
Employers typically contact previous employers, colleagues, or educational institutions to gather insights into the candidate's past performance, reliability, and integrity. Additionally, background checks may include criminal record verification and financial history reviews.
Conducting reference and background checks helps organizations minimize risks and make well-informed hiring decisions.

Quick Tip

Reference and background checks help employers verify candidates' credentials, ensuring credibility and reducing the risk of hiring unsuitable individuals.

(b) Explain the following non-financial incentives:
(i) Status

Solution: *Status* refers to the level of prestige, respect, and recognition an employee receives within the organization. It serves as a non-financial incentive that motivates employees by making them feel valued and appreciated.
Employees who are given higher status—through job titles, office privileges, or public recognition—often feel more motivated to perform at their best. Status not only boosts an employee's morale but also enhances their loyalty and commitment to the organization.

Providing employees with a sense of importance and prestige fosters a positive work environment and encourages professional growth.

> 💡 Quick Tip
>
> Recognizing employees' status within an organization boosts their morale and enhances their motivation to contribute effectively.

(ii) Organisational Climate

Solution: *Organisational Climate* refers to the overall work environment, culture, and atmosphere within an organization. It includes factors such as leadership style, communication flow, employee relationships, and workplace policies.
A positive organizational climate fosters teamwork, enhances job satisfaction, and improves productivity. When employees feel comfortable, valued, and engaged in their workplace, they are more likely to contribute effectively to organizational success.
A supportive work culture encourages innovation, collaboration, and long-term employee retention.

> 💡 Quick Tip
>
> A healthy organizational climate creates a positive and motivating work environment, leading to increased job satisfaction and higher productivity.

(iii) Job Enrichment

Solution: *Job Enrichment* involves redesigning job roles to provide employees with greater autonomy, responsibility, and opportunities for personal growth. It is aimed at making jobs more meaningful and engaging for employees.
Job enrichment encourages employees to take ownership of their tasks, participate in decision-making, and develop new skills. This enhances motivation and job satisfaction, as employees feel more valued and challenged.
When employees are given the opportunity to develop their potential, they are more likely to stay committed to their organization and perform at a higher level.

> 💡 Quick Tip
>
> Job enrichment increases employee motivation by providing more responsibility and opportunities for growth, leading to better performance.

(iv) Employee Participation

Solution: *Employee Participation* refers to involving employees in decision-making processes and organizational activities. This inclusion fosters a sense of ownership and belonging, making employees more committed to their work.
When employees have a say in important matters, they feel more valued and motivated. This can lead to increased job satisfaction, innovation, and overall productivity.
Encouraging employee participation creates a more collaborative and engaged workforce, contributing to the long-term success of the organization.

Quick Tip

Employee participation fosters a sense of ownership and involvement, leading to higher motivation and improved workplace efficiency.

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32. Asha was running a business of producing and selling pickles, murabbas, and papad etc. She was earning a good profit for the last many years. Now, she wanted to add some new products in her product line. Seeing the growing demand for millets, she decided to add some millet products. After doing a lot of market research, she found out that the demand for millet noodles, pasta, and ready-to-eat millet cereals was increasing day-by-day. To give a different taste and to have uniqueness in her products, she prepared a new tasty herb-based sauce for cooking these products and decided to launch this along with millet products in the market. For this, Asha hired 10 additional women workers specially trained for the same. However, despite adding more workers, to her surprise, production was not up to the mark. Concerned about this and to ensure that the activities were performed as per the plans, and that the resources were being used effectively and efficiently for the achievement of predetermined goals, Asha appointed a supervisor, Nabita. Nabita monitored the activities and discovered that two of the newly hired workers were spending their whole day gossiping and distracting the other workers. As a result, the production was low.
(i) Identify and state the function of management discussed in the above passage.

Solution:
Identifying the Function of Management: The function of management discussed in this passage is *Controlling*. Controlling is a crucial management function that ensures that activities are performed as planned, and resources are being utilized effectively and efficiently to achieve the predetermined goals.
Meaning of Controlling: Controlling refers to the process of monitoring and evaluating the progress of activities, comparing actual performance with planned performance, and making adjustments when necessary to ensure the achievement of organizational objectives. In this case, Asha noticed that despite hiring more workers, production was low. She took corrective actions by appointing a supervisor (Nabita) to monitor and address the issues of inefficiency.
Application in the Case: In the given scenario, Asha's concern regarding the low production despite having more workers reflects the need for controlling. By appointing a supervisor and identifying that workers were distracted, she took corrective action to bring the production back on track. This is an example of the controlling function at work.

Quick Tip

Controlling is essential to ensure that deviations from the plan are identified and corrected promptly. It helps in achieving the goals by ensuring resources are used efficiently.

(ii) State any five points of importance of the function identified in (i) above.

Solution:
Five Points of Importance of Controlling: The controlling function of management plays a vital role in the success of any organization. The five points highlighting its importance are:
1. Ensures Goal Achievement: Controlling helps in ensuring that the activities are performed according to the plan, thus ensuring that the set goals are achieved. In Asha's case, controlling was necessary to ensure that production targets were met and resources were effectively utilized.
2. Identifies Deviations: By monitoring actual performance and comparing it with planned performance, controlling helps identify deviations or discrepancies. When Asha discovered that production was not up to the mark, controlling helped her identify that workers were being distracted.
3. Improves Efficiency: Controlling helps identify inefficient practices or resource utilization, allowing for corrective actions to improve efficiency. In the scenario, by supervising and correcting the activities of the workers, Asha improved the efficiency of her operations.
4. Provides Basis for Decision-Making: The controlling function provides managers with the information necessary for informed decision-making. Asha used the information about worker productivity to make the decision to appoint a supervisor and guide the operations more effectively.
5. Maintains Organizational Standards: Controlling ensures that the set standards of quality, performance, and productivity are maintained. In this case, controlling helped Asha ensure that the workers followed the planned activities, which led to meeting the desired production levels.

Quick Tip

Controlling is an ongoing process that ensures plans are being followed, objectives are met, and corrective measures are taken to align the organization's performance with its goals.

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33. (a) State any three advantages and any three limitations of formal organization.

Solution:
Advantages of Formal Organization:
1. Clear Authority and Responsibility: A formal organization clearly defines the roles, duties, and responsibilities of each member. This helps prevent ambiguity and confusion regarding the scope of authority and ensures that everyone knows their specific roles, leading to efficient task execution.

2. Facilitates Communication: Formal organizations establish formal channels of communication. Information flows in a structured manner, ensuring that instructions, reports, and feedback reach the right people at the right time. This structured communication enhances organizational efficiency and reduces the chances of errors.
3. Promotes Coordination: A formal organization helps in coordinating the activities of various departments and individuals. It ensures that all activities are aligned with the overall objectives and that various departments work together toward achieving the organization's goals.
Limitations of Formal Organization:
1. Inflexibility: Formal organizations can be rigid due to their hierarchical structure. This rigidity can slow down decision-making and make it difficult for the organization to adapt to changes in the environment. Employees might feel restricted by the formal rules and procedures.
2. Lack of Innovation: Since formal organizations operate within strict rules and guidelines, employees may be discouraged from thinking creatively. The rigid structure can stifle innovation, as workers might feel their ideas are not welcome or would be too risky to implement within the established norms.
3. Increased Bureaucracy: A formal organization often leads to an increase in bureaucracy. This can result in excessive paperwork, slow decision-making, and unnecessary complexity, making the organization less responsive and more cumbersome.

> Quick Tip
>
> While formal organizations provide structure, they can also lead to rigidity, reduce creativity, and increase bureaucracy, which can hinder organizational growth.

(b) State any six advantages of functional structure of organization.

Solution:
Advantages of Functional Structure:
1. Specialization: Functional structure groups employees based on their specialized skills and expertise. This leads to greater specialization in specific areas, improving efficiency and the quality of work.
2. Clear Roles and Responsibilities: In a functional structure, each employee has a clear role based on their expertise. This reduces role ambiguity and helps employees focus on their specific tasks, making them more efficient.
3. Improved Coordination within Departments: Functional structure enhances coordination within each department since employees with similar skills and responsibilities work together. This leads to better communication and faster decision-making within departments.
4. Efficient Use of Resources: By grouping people with similar functions, the organization can allocate resources more effectively. This leads to economies of scale and better utilization of resources like human capital and equipment.
5. Better Control and Supervision: Managers in a functional structure have better control over their departments as they oversee specialists in their fields. This enhances supervision and ensures high standards within the department.
6. Clear Career Progression: Since employees are grouped according to their functions, they can see a clear career path within their department. This structure helps employees focus on

skill development within their area of expertise, leading to better career growth.

Quick Tip

Functional structure helps organizations achieve efficiency, specialization, and clear roles, leading to better performance and employee growth.

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34. Ravi and Megha started 'Energylights' a company manufacturing energy-efficient LED lighting after realizing an increasing demand for the same. Manufacturing high-quality LED lights with some unique features required substantial investment in technology and high-grade materials. This pushed up their cost of manufacturing. To determine the price of their LED lights, they not only wanted to cover all costs but also wanted to earn a margin of profit over and above the costs. This will set for them the minimum level or the floor price at which the LED lights would be sold. The high demand and the utility provided by these lights will set the upper limit of the price.
Though there was enough competition in LED lights business, even then they kept the price of their lights higher than the competitors because of good quality and its features. They justified the higher price because of product differentiation and unique methods of advertising and sales promotion, etc.
Quoting lines from the above paragraph, identify and explain any three factors which were taken into consideration by Ravi and Megha to determine the price of their LED lights.

Solution:
Three Pricing Factors Considered by Ravi and Megha:
1. Cost of Manufacturing:
"Manufacturing high-quality LED lights with some unique features required substantial investment in technology and high-grade materials. This pushed up their cost of manufacturing."

Explanation: Ravi and Megha considered the cost of manufacturing as a key factor in determining the price. They needed to cover the expenses related to production, including investments in technology and high-grade materials. This would help them set a price that ensures they recover all costs and earn a reasonable profit.
2. Demand and Utility of the Product:
"The high demand and the utility provided by these lights will set the upper limit of the price."

Explanation: They took into account the high demand for LED lights and the utility it provides to customers. The more utility a product offers and the higher its demand, the higher the price it can command. In this case, the utility of their unique LED lights, coupled with strong market demand, helped Ravi and Megha set the upper price limit.
3. Product Differentiation and Unique Features:
"They justified the higher price because of product differentiation and unique methods of advertising and sales promotion."

Explanation: Ravi and Megha justified charging a higher price for their LED lights by emphasizing the product's unique features, such as energy efficiency and differentiation from competitors. They also considered their advertising and sales promotion strategies, which helped build the brand value and allowed them to price their products higher than the competition.

Quick Tip

When determining the price of a product, factors such as manufacturing costs, demand, utility, and differentiation play a critical role. Pricing should reflect both the cost and the perceived value by customers.
