



B.K. BIRLA CENTRE FOR EDUCATION

SARALA BIRLA GROUP OF SCHOOLS
A CBSE DAY-CUM-BOYS' RESIDENTIAL SCHOOL

PRE-BOARD 2 EXAMINATION, 2025-26

BUSINESS STUDIES 054

MS (SET A)

Class: XII

Date: 17/12/2025

Admission no:

Time: 3 Hrs.

Max Marks: 80

Roll no:

General Instructions:

1. Please check this question paper contains 13 printed pages.
2. This question paper contains 34 questions.
3. Marks are indicated against each question.
4. Answers should be brief and to the point.
5. Answers to the questions carrying 3 marks may be from 50 to 75 words.
6. Answers to the questions carrying 4 marks may be about 150 words.
7. Answers to the questions carrying 6 marks may be about 200 words.
8. Attempt all parts of the questions together.

1) To ensure that enough funds are available at right time to honour the commitments and to carry out the plans' is discussed in which of the following concepts? 1

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

2) 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 the light of the given statements, choose the correct alternative from the following: 1

- (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.**

3) Increase in the profit earned by the equity shareholders due to the presence of fixed financial charges like interest' is called: 1

(A) Financial planning (B) Dividend decision (C) Financing decision (D) **Trading on equity**

4) 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 library, as 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: 1

- (A) Management is a continuous process.
(B) Management is an intangible force.
(C) **Management is a dynamic function.**
(D) Management is a group activity

5) Match the techniques of scientific management given in Column - I with their meaning given in Column-II: 1

	COLUMN I		COLUMN II
A	Management Hierarchy	(i)	Involves defining and grouping of activities, resource allocation and establishment of authority relationships.
B	Coordination	(ii)	Involves establishing performance standards measuring actual performance and taking corrective action
C	Organising	(iii)	It shows orderly arrangement of individual and group efforts to ensure unity of action in realisation of common objectives
D	Controlling	(iv)	Refers to different levels in the organisation created as a result of authority responsibility relationships binding individuals as superiors and subordinates.

Choose the correct option from the options given below:

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

6) 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:

Choose the correct option :

- (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.

7) Identify the dimension of business environment illustrated by the given picture: 1



- (A) Social (B) Political (C) **Technological** (D) Economics

8) As per the Consumer Protection Act, 2019 which of the following statement is correct? 1

- (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.**

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 organizing function of management highlighted in the above lines is: 1

- (A) Benefits of specialization
- (B) **Clarity in working relationships**

10) 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 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 delay in getting sanction and order could not be placed. The type of communication barrier that led to procedural delay was: 1

(A) Semantic barrier (B) Psychological barrier (C) **Organizational barrier** (D) Personal barrier

11) 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) 1

(A) Technological benefits (B) Economic benefits (C) **Psychological benefits** (D) Environmental benefits

12) “The obligation of a subordinate to properly perform the assigned duty” is called: 1

(A) Delegation (B) Authority (C) **Responsibility** (D) Accountability

13) Isha Sweets was set by Isha Sharma to prepare and sell organic, vegan and healthy sweets alternatives like hazelnut date ladoos, dry fruit date burfi, stuffed medjool date 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: 1

(A) Availability of raw material (B) **Inflation** (C) Scale of business (D) Production cycle

14) Atul was working as an employee in a readymade garments factory. He was very sincere and dedicated and always completed his work on 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 behaviour 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 out of employees merely by exercising formal authority. He had insight into the causes of behaviour 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: 1

(A) Leadership (B) Financial Incentives (C) **Motivation** (D) Non-financial Incentives

15) Choose the statement that correctly highlights the benefit of using internal sources of recruitment. 1

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

16) 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 the light of the given statements, choose the correct alternative from the following: 1

(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.

17) 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 new electric irons. The company wanted to enter more emerging markets outside India. 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 earnings to finance the required investment and distribute smaller dividends to shareholders. The factors 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: 1

(A) Amount of Earnings (B) Stability of Earnings (C) Stability of Dividends **(D) Growth Opportunities**

18) 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 alternatives given below: 1

(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)

19) Kavi works as a Marketing Manager in a 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: 1

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

20) It is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims. Identify the process. 1

(A) Management (B) Organising (C) Staffing (D) Directing

21) 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 microwave oven. This helped him in avoiding any risk associated with the usage of 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 such responsibilities.

Ans) Ans Aman may not have fulfilled following three responsibilities

1. Not obtaining a proper cash memo or bill:

This is essential proof of purchase for warranty and grievance redressal.

2. Not thoroughly checking detailed warranty terms or ensuring the warranty card was duly filled and stamped: This could cause issues if service is needed later.

3. Not verifying the manufacturing date of the oven: This could mean unknowingly purchasing an older model or old stock.

- 22) (a) Explain the following functions of Stock Exchange :
- (i) Providing liquidity and marketability to existing securities
 - (ii) Pricing of securities
 - (iii) Safety of transaction

OR

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

ANS) Ans (a) A Stock Exchange performs several crucial functions:

- (i) Providing liquidity and marketability to existing securities: It offers a ready and continuous market where existing securities can be easily bought and sold, allowing investors to convert their holdings into cash quickly.
- (ii) Pricing of securities: Through the interplay of demand and supply forces, the Stock Exchange facilitates the determination of fair prices for various securities.
- (iii) Safety of transaction: It operates under a well-defined legal framework, ensuring that all transactions are conducted in a secure and transparent manner, protecting investor interests.

OR

Basis of Difference	Primary Market	Secondary Market
Securities Traded	Deals with new securities issued for the first time.	Deals with the purchase and sale of existing (second-hand) securities.
Parties Involved	Transactions are between the issuing company and investors.	Transactions occur between investors (buyer and seller of securities).
Capital Formation	Directly promotes capital formation as funds flow to the company.	Does not directly contribute to capital formation for the company; provides liquidity to existing securities.

- 23) (a) Give the meaning of 'Money Market'. Differentiate between 'Capital Market' and 'Money Market' on the basis of :

- (i) Investment Outlay
- (ii) Duration

OR

- (b) State any three 'Development functions' of Securities and Exchange Board of India.

Ans (a) The Money Market is a market for short term funds, dealing in monetary assets whose period of maturity is up to one year. It provides liquidity for businesses and financial institutions.

Differences between Capital Market and Money Market:

Basis	Money Market	Capital Market
Investment Outlay	Instruments usually involve large sums, making individual participation less common.	Instruments often have smaller face values, requiring less outlay.
Duration	Deals in short-term securities with maturity up to 1 year.	Deals in medium and long-term securities maturing after 1 year.

OR

(b) Three functions are:

1. Training Intermediaries: SEBI arranges for the training of intermediaries of the securities market, such as brokers and sub-brokers, to enhance their skills and professionalism.
2. Research and Information: It conducts research and publishes information useful to all market participants, thereby promoting informed investment decisions.
3. Market Development Measures: SEBI undertakes measures to develop the capital markets by promoting activities like investor education, dematerialization of securities, and the use of modern technology.

24) Radhika started a business of supplying high class facial kits to beauty parlours in various cities of the country. Initially, the business was doing well and her products were popular. Despite the high quality of the products, Radhika faced difficulties in certain parlours, especially in Kagpur city, where her products failed to gain a strong market presence. To understand the cause, she appointed a qualified marketing manager. The marketing manager discovered that there was no proper exchange of facts, ideas and views etc. between the incharge of Kagpur city and the employees at different parlours at Kagpur. Vicky, who was the incharge and responsible for overseeing all parlours in Kagpur, was unable to effectively foster a common understanding of the product among the employees. As a result, the employees did not grasp the key benefits and features of the high class facial kits. In turn, the employees were not able to convince potential clients about the product's value.

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

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

Ans (i) The concept discussed in the above case is Communication. This is evident from the "no proper exchange of facts, ideas and views" and the inability to "foster a common understanding."

(ii) The first five elements of the communication process are:

1. Sender: The person who conveys the message.
2. Message: The idea, feeling, or information conveyed.
3. Encoding: Converting the message into symbols (words, pictures).
4. Media/Channel: The path through which the encoded message is transmitted.
5. Decoding: Converting encoded symbols back into meaning by the receiver.

25) (a) Explain the following principles of management given by Fayol :

- (i) Unity of Command
- (ii) Order

OR

(b) Explain the following points of significance of principles of management :

- (i) Scientific Decision
- (ii) Fulfilling Social Responsibility

Ans) (a) Principles of Management given by Fayol are:

(i) **Unity of Command** : Unity of Command dictates that each employee should receive orders from, and be accountable to, only one superior. This prevents confusion arising from conflicting instructions and avoids dual subordination, which can lead to ego clashes among managers and divided loyalties for the employee. Following this principle ensures clear lines of authority, systematic work, effective discipline, and enhanced employee morale and efficiency. Violation undermines stability and order within the organization.

(ii) **Order** : The principle of Order means there should be an appointed place for all resources (material order) and for every employee (social order), with everything and everyone in their designated place. Material order ensures tools and materials are readily available, minimizing search time and wastage. Social order involves selecting and placing the right person in the right job. This principle promotes efficient operations, optimal resource use, a smooth workflow, and helps maintain discipline, preventing chaos and delays.

OR

Ans) (b) Principles of management hold significant importance:

(i) **Scientific Decision-making** : Management principles enable managers to make decisions based on facts and objective assessments, rather than intuition or trial-and-error. They provide a framework for logical thinking by establishing cause and- effect relationships, helping to evaluate alternatives systematically. This leads to more realistic, thoughtful, and timely decisions, free from personal bias, enhancing organizational effectiveness and ensuring optimal resource utilization.

(ii) **Fulfilling Social Responsibility**: These principles also guide businesses in fulfilling their social obligations. For example, the principle of 'Equity' emphasizes fairness towards employees, and 'Fair Remuneration' ensures adequate pay, contributing to employee welfare. Efficient resource utilization, encouraged by principles like 'Order,' benefits society through reduced wastage and potentially lower prices. 'Subordination of Individual Interest to General Interest' directly encourages businesses to consider societal impact alongside organizational profit, thus fostering a positive public image.

26) (a) Explain the following features of coordination:

(i) Co-ordination ensures unity of action.

(ii) Co-ordination is a continuous process.

OR

(b) Explain the following features of management:

(i) Management is a group activity.

(ii) Management is an intangible force.

Ans) (a) (i) **Co-ordination ensures unity of action** : This vital feature means coordination acts as the binding force that synchronizes the diverse efforts of various departments and individuals, directing them towards common organizational goals. It ensures that all actions are integrated and contribute collectively by aligning departmental activities with overall objectives and providing a common focus. This prevents conflicting efforts and minimizes duplication, leading to purposeful and concerted action.

For instance, it harmonizes the sales department's targets with the production department's capacity and procurement plans.

(ii) **Co-ordination is a continuous process** : Co-ordination is not a one-time function but an ongoing, dynamic process required consistently across all management levels and functions. It begins at the planning stage and permeates organizing, staffing, directing, and controlling. The perpetual need for integrating efforts arises due to the interdependent nature of organizational tasks and the constantly changing business environment.

Therefore, managers must continuously work to synchronize activities to maintain operational harmony and ensure objectives are pursued in a well integrated manner.

OR

(b) **Features of Management** :

(i) **Management is a group activity** :

Organizations are made up of diverse individuals with different needs and skills. Management functions as a group activity by uniting these individual efforts and directing them towards achieving

the organization's common goals. It involves teamwork and coordination among various managers and employees at different levels. The success of an organization relies not on one person, but on the collective and synchronized performance of all its members, working together as a team.

(ii) Management is an intangible force :

Management is considered an intangible force because it cannot be physically seen or touched. Its presence is not visible but is experienced through the results achieved by the organization. When goals are met efficiently, employees are motivated and satisfied, resources are optimally utilized, and there is overall orderliness, it signifies good management. Conversely, signs like chaos, unmet targets, and widespread employee dissatisfaction indicate poor management, regardless of the managers being present.

27. The demand for take away food business is increasing day-by-day. People working in multinational companies have to work till night very often and they are reluctant to cook food. Taking advantage of this opportunity, Amit and Bijoy started 'Langar', a take away food business. The food became famous because of its good quality and standards of hygiene followed by them. Over the years, the business became very profitable. They decided to expand the business by opening more branches in different cities. To ensure consistent food quality at all branches and to maintain the hygiene and quality they planned to import machines with advanced technology. The cost of each machine was Rs. 12 crores. They knew that this decision has to be taken very carefully, as it involves a huge cost and that the decision, once taken is irreversible.

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

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

4

Ans) The financial decision discussed is the Capital Budgeting Decision (Investment Decision).

Amit and Bijoy plan to invest a significant sum (Rs. 12 crores per machine) in fixed assets (advanced machines) for expansion. This decision involves a crucial long-term commitment and is largely irreversible, characteristic of capital budgeting.

(ii) Two factors affecting this Capital Budgeting Decision, evident from the case, are:

1. Cash Flows of the Project: With the business being "very profitable," a key factor is the expectation that new machines ensuring "consistent food quality" and "hygiene" will generate sustained and substantial future cash inflows over their long life, justifying the investment.

2. Investment Amount Involved: The "huge cost of Rs. 12 crores" per machine is a very critical consideration. This large outlay indeed requires careful evaluation of expected returns against this significant cost, especially given the decision's profoundly "irreversible" nature.

28) Going to gym and following a protein diet has become a popular trend these days. However, with the busy work culture, many people, especially the youth struggle to find time for weight loss programmes. Anika was working in a multi-national company, wanted to join a gym for weight loss but could not find time. There is no good gym near her house. One day, Anika was walking out of the office during lunch time and saw an attractive poster of a gym which was near her house. Anika was curious to enquire about their weight loss programme. Next day, when she went to the gym, she was surprised to know about various schemes offered by the gym. They were not only offering 50% discount on the fee of weight loss programme, but were also providing free coach facility and free protein diet for the customer. But these offers were valid only for 10 days. Attracted by these schemes Anika immediately submitted the fee and joined the gym.

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

(ii) The element of marketing-mix identified in (i) above includes various tools of communication.

Identify and explain the tools highlighted in

the above para.

4

Ans) Ans (i) The element of the marketing mix predominantly discussed is Promotion.

Promotion encompasses all activities a marketer undertakes to communicate effectively with target customers, informing them about the features and benefits of a product or service, and persuading them to make a purchase. Its primary goal is to create awareness, generate interest, stimulate demand, and build brand preference.

(ii) The specific communication tools (elements of the promotion mix) highlighted in Anika's case are:

1. Advertising: The “attractive poster” of the gym Anika noticed is a clear example of advertising. This is a paid form of non-personal presentation and promotion aimed at a mass audience to create awareness about the gym’s weight loss programme and attract potential customers.
2. Sales Promotion: The gym utilized several sales promotion techniques. These include the “50% discount on the fee,” offering a “free coach facility,” providing a “free protein diet,” and making these “offers valid only for 10 days.” These are short term incentives designed to stimulate immediate customer action, encourage trials, and boost sales quickly by offering extra value or creating urgency.

29) 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 setup 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 the one’s 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.

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

4

Ans (i) The management concepts are:

1. Group I: Demonstrated both effectiveness (achieved 150-dress target) and efficiency (met Rs. 30 target cost), successfully and fully completing the task as required.
2. Group II: Was effective (achieved 150-dress target) but inefficient, as it exceeded the target cost (Rs. 35), thereby indicating resource misuse.
3. Group III: Was ineffective because it failed to meet the 150-dress target (only 140). Its lower unit cost (Rs. 27) showed some operational efficiency but didn’t compensate for not achieving the primary output goal.

(ii) Effectiveness means completing the task and achieving goals. Efficiency means performing tasks correctly with minimum cost and resource wastage. Both are vital. Effectiveness ensures organizational objectives are met, crucial for survival and growth. Efficiency ensures optimal resource utilization, leading to cost reduction and profitability. While effectiveness focuses on the end result, efficiency focuses on the means. Management must balance both; achieving goals (effectiveness) economically (efficiency) is key for sustained success, as neither is truly sufficient alone in the long run.

30) Prachi is working as an academic counsellor for specially abled students at one of the top school to provide special support and guidance to these students. She clearly states in advance the methods of teaching and tackling the students. She ensures that the goals are clearly stated for each and every teacher so that they act as a guide for deciding what action should be taken and in which direction. Her well laid plans will serve as a basis for coordinating the activities and efforts of teachers teaching different subjects to these students. It helps the teachers in bringing clarity of thought and action to their work.

Identify and explain the two points of importance of ‘Planning’ function of management highlighted in the above para.

4

Ans The two significant points of importance of the ‘Planning’ function of management highlighted in Prachi’s approach are:

1. Planning provides direction: The case illustrates this as Prachi “clearly states in advance the methods... and ensures goals are clearly stated... so that they act as a guide for deciding what action

should be taken and in which direction.” By pre-defining objectives and the path to achieve them, planning gives a clear roadmap to all. This ensures efforts are focused and activities are aligned towards common organizational goals, preventing ambiguity and bringing essential “clarity of thought and action” to the teachers’ work.

2. Planning facilitates coordination: The para states that Prachi’s “well laid plans will serve as a basis for coordinating the activities and efforts of teachers.” Planning helps integrate diverse activities and resources within the organization. Clearly defined plans, objectives, policies, and procedures create a sound framework that helps synchronize actions of different individuals and departments. This minimizes conflicts, avoids duplication, and ensures harmonious efforts towards achieving stated goals effectively.

31) (a) Explain the following steps in the process of selection :

- (i) Selection Decision
- (ii) Medical Examination
- (iii) Job Offer
- (iv) Contract of Employment

OR

(b) Explain the following financial incentives :

- (i) Profit sharing
- (ii) Co-partnership
- (iii) Productivity linked wage incentives
- (iv) Perquisites

6

Ans) Ans (a) The selection process for hiring suitable candidates includes several key steps:

- (i) Selection Decision: After tests, interviews, and reference checks, managers make the final selection decision. This involves assessing candidates who passed previous stages, focusing on the best fit for the job’s specific requirements and organizational culture, often strongly considering the line manager’s informed opinion.
- (ii) Medical Examination: The selected candidate then undergoes a thorough medical examination to ensure they are physically and mentally fit for the job. This crucial step helps ascertain their ability to perform duties safely and effectively, and checks for pre-existing conditions relevant to the role’s demands and workplace safety.
- (iii) Job Offer: Following a successful medical check and final approval, a formal job offer is made, usually via a letter of appointment. This letter details the position, complete pay structure, benefits, start date, and other key terms, giving the candidate specified time to accept.
- (iv) Contract of Employment: Once the offer is formally accepted, a contract of employment is signed by both parties. This legally binding document lists detailed employment terms like duties, responsibilities, salary, work hours, leave, and termination policies, thereby formalizing the employer-employee professional agreement.

OR

(b) Financial incentives are key to motivating employees. Four types are:

- (i) Profit Sharing: Profit sharing involves employees receiving a pre-determined share of the company’s profits, in addition to their regular wages. This system encourages a collective sense of responsibility and motivates employees to work towards improving overall organizational profitability, fostering teamwork and a greater commitment to the company’s success.
- (ii) Co-partnership/Stock Option: Co-partnership or stock options grant employees the opportunity to buy company shares, often at a price below market value (e.g., through ESOPs). This makes employees part-owners, aligning their interests with the company’s, motivating them to contribute to long-term growth and enhanced share value for mutual benefit.
- (iii) Productivity Linked Wage Incentives: Productivity linked wage incentives directly connect an employee’s earnings to their individual or group output. Methods like piece-rate systems or bonuses for exceeding production targets reward higher efficiency and output. This strongly motivates employees to improve their performance and increase production to achieve higher financial rewards.
- (iv) Perquisites: Perquisites, or perks, are additional benefits provided to employees over and above their salary, such as company car, housing allowance, medical facilities, or club memberships. These

non-wage compensations enhance an employee's social standing and overall job satisfaction, serving as effective motivators, especially for managerial staff.

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 of 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 upto 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 above.

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

6

Ans) Ans (i) The management function discussed is Controlling. This function involves monitoring performance against pre-set standards, identifying deviations, and taking corrective actions to ensure goals are met efficiently. In Asha's case, her concern about low production, appointing Nabita to monitor activities, and Nabita discovering the workers' inefficiency (gossiping) directly illustrate the controlling process aimed at aligning actions with plans.

(ii) Five key points of importance of the Controlling function include:

1. Accomplishing Organizational Goals: Controlling ensures activities align with plans by measuring progress, identifying deviations, and prompting timely corrective actions, thus guiding the organization effectively towards its objectives.
2. Making Efficient Use of Resources: By monitoring performance against standards, controlling helps minimize waste and ensures that human, material, and financial resources are utilized optimally for maximum output.
3. Ensuring Order and Discipline: It fosters a disciplined work environment by keeping employee activities in check, minimizing undesirable behaviors like those in Asha's case, and upholding organizational rules.
4. Judging Accuracy of Standards: An effective control system helps managers verify if the standards set are realistic and achievable, providing a basis for their timely revision if necessary.
5. Facilitating Coordination in Action: Controlling provides unity of direction by ensuring all parts of the organization follow the plans, thus harmonizing diverse efforts towards common goals.

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

OR

(b) State any three advantages and any three disadvantages of divisional structure of organization.

Ans (a) Informal organization, arising spontaneously from social interactions, presents both distinct advantages and limitations:

Three Advantages:

1. Faster Communication: Information and feedback spread rapidly through the informal network (grapevine), often bypassing slower formal channels, aiding quick dissemination of news and views.
2. Fulfills Social Needs: It satisfies employees' psychological and social needs for belongingness, friendship, and recognition, contributing significantly to higher job satisfaction, morale, and team cohesion.
3. Supports Formal Structure: Informal groups can support the formal organization by overcoming its deficiencies, providing useful feedback to managers, fostering cooperation, and helping new employees integrate smoothly and effectively.

Three Limitations:

1. Spreads Rumors: The informal grapevine, while fast, can also transmit inaccurate, distorted information or baseless rumors, potentially leading to misunderstandings, conflicts, and a negative work atmosphere.

2. Resistance to Change: Informal groups may strongly resist changes in policies, work methods, or technology introduced by management if they perceive these changes as threatening their established norms or group interests.

3. Pressure for Conformity: Informal groups often exert strong pressure on members to conform to group norms, which may sometimes be counterproductive and deliberately act against official organizational interests, such as restricting output.

OR

(b) A divisional structure have following advantages and disadvantages:

Three Advantages:

1. Skill Development and Specialization: Divisional heads manage diverse functions within their unit, gaining valuable, broad managerial experience and developing specialized skills essential for higher leadership roles and effective product innovation or market focus.

2. Clear Accountability for Results: Performance of each division can be easily and independently assessed since divisional heads are directly accountable for their specific unit's profits and losses, which greatly simplifies fixing responsibility and making comparisons.

3. Flexibility and Initiative: As largely autonomous units, divisions can respond very quickly to dynamic market changes, make faster operational decisions, and foster greater initiative and creativity within their specific market scope.

Three Disadvantages:

1. Inter-Divisional Conflicts: Significant conflicts often arise between various divisions concerning the allocation of scarce organizational resources, setting fair transfer prices, or when individual divisional goals unfortunately clash with overall company objectives.

2. Duplication of Functions and Costs: Each division typically maintains its own complete set of functional departments (e.g., marketing, finance, personnel), leading to costly duplication of activities and personnel across the entire organization.

3. Risk of Ignoring Organizational Goals: Divisional managers might become overly focused on their own division's performance and autonomy, potentially ignoring broader, critical organizational interests or even engaging in unhealthy inter-divisional rivalry.

Q34) 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 the product differentiation and unique methods of advertising and sales promotion etc. Quoting lines from the above para, identify and explain any three factors which were taken into consideration by Ravi and Megha to determine the price of their LED lights. **6**

Ans) Ravi and Megha considered several factors to determine the price of their LED lights. Three key factors evident are:

1. Product Cost: The para states, "To determine the price... 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..." This fundamental factor is crucial as the price must cover all manufacturing costs (like the mentioned "substantial investment in technology and high-grade materials") plus a desired profit margin, establishing the lowest possible selling price. 2. Utility and Demand: It's mentioned, "The high demand and the utility provided by these lights will set the upper limit of the price." This means the value customers perceive in the high-quality, energy-efficient LEDs and strong existing market demand ("increasing demand") allowed Energylights to command a higher price, influencing the maximum they could effectively charge.

3. Competition and Product Differentiation: The text notes, "Though there was enough competition... 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 the product differentiation..." Despite market competitors, Energylights strategically adopted premium pricing by offering a superior, differentiated

product with “unique features” and “good quality,” justifying a higher market charge.

*****ALL THE BEST*****