CBSE Class 12 Business Studies Question Paper 2004 with Solution PDF-Set 66/1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

Time Allowed: 3 hours **Maximum Marks: 100**

General Instructions

(i) Answers to questions carrying **2–3** marks should not exceed **30–40** words.
(ii) Answers to questions carrying **4–5** marks should not exceed **60–80** words.
(iii) Answers to questions carrying **6** marks should not exceed **100** words.
(iv) Attempt all parts of a question together.

1. Explain, in brief, 'management' as a group of people having managerial responsibility for the enterprise. [2 marks]

Solution:

Concept:

- Management may denote the group of persons entrusted with managerial authority and responsibility in an enterprise.
- These managers coordinate human and other resources to achieve organisational objectives.

Step 1: Identify the people included In this sense, management refers to managers rather than to the activity of managing. It includes the persons occupying managerial positions at the top, middle and supervisory levels, such as the chief executive, departmental managers and supervisors.

Step 2: Explain their collective responsibility These persons plan the work, organise resources, appoint and guide employees, and control performance within their respective areas of authority. Together they are responsible for directing the enterprise towards its objectives and securing coordinated effort. Thus, the expression management took a decision means that the authorised group of managers took it.

Step 3: Conclusion Management is the group of managers who possess the authority and responsibility to manage the enterprise and achieve its objectives.

Quick Tip to Solve: When management means people, identify the managers and their responsibility; do not define only the process of managing.

2. Give two examples of the impact on business organisations of changes in social environment. [2 marks]

Solution:

Concept:

- The social environment includes customs, traditions, values, attitudes and lifestyles that influence business demand and practices.
- A change in these factors creates opportunities for some products and reduces demand for others.

Step 1: Relate health awareness to demand **Growing health consciousness:** As people become more concerned about fitness and nutrition, demand increases for low-fat foods, sugar-free products and fitness services. Food businesses respond by offering healthier products and changing their product mix.

Step 2: Relate working patterns to convenience **Increasing participation of women in employment:** With more dual-income households and less time available for household work, demand rises for ready-to-eat food, labour-saving appliances and childcare services. Businesses can expand these offerings to meet the changed lifestyle.

Step 3: Conclusion Greater health consciousness and the growth of dual-income households are two social changes that alter demand and require businesses to adapt their products and services.

Quick Tip to Solve: For each example, link a specific social change to a specific business response or change in demand.

3. Explain, in brief, the term 'supervision' as an element of directing. [2 marks]

Solution:

Concept:

- Supervision is an element of directing concerned with overseeing employees while they perform their assigned work.
- It combines observation with on-the-job guidance so that work follows plans and standards.

Step 1: Explain overseeing of work Supervision means observing and watching the work of subordinates while they carry out their duties. The supervisor maintains direct contact with workers and checks that assigned tasks are performed properly, in the prescribed manner and within the required time.

Step 2: Explain guidance during performance It also involves instructing and guiding workers, clarifying doubts and helping them overcome difficulties at work. The supervisor detects deviations and takes timely corrective action. Therefore, supervision is more than merely inspecting completed output: it helps employees perform correctly while the work is in progress.

Step 3: Conclusion Supervision is the continuous overseeing and guidance of subordinates at work to ensure that their performance conforms to organisational plans and standards.

Quick Tip to Solve: Include both watching the work and guiding the worker; supervision is not merely fault-finding after completion.

4. What is the societal concept of marketing ? [2 marks]

Solution:

Concept:

- The societal marketing concept extends customer satisfaction to include the long-term welfare of society.
- Marketing decisions should balance company profits, consumer wants and society's interests.

Step 1: State the central idea The societal concept of marketing holds that a business should determine the needs and wants of its target customers and satisfy them more effectively than competitors, while preserving or improving the long-term well-being of consumers and society.

Step 2: Explain the balance involved A business should not pursue immediate sales or customer satisfaction through products or practices that harm public health, the environment or future welfare. For example, it may use safe ingredients and less polluting packaging while supplying a useful product at a viable price. Its marketing decisions therefore reconcile profitability with customer satisfaction and social welfare.

Step 3: Conclusion Societal marketing means satisfying customers and earning profits in a manner that also protects and improves the long-term welfare of consumers and society.

Quick Tip to Solve: Remember the three interests together: company profits, consumer satisfaction and societal welfare.

5. Differentiate between 'marketing' and 'selling' on the basis of (a) meaning and (b) emphasis. [2 marks]

Solution:

Concept:

- Marketing is a broad process of identifying and satisfying customer needs through an appropriate offering.
- Selling is a part of marketing concerned with persuading customers to purchase the goods or services offered.

Step 1: Establish the scope of the terms Marketing begins by understanding what customers need and continues through product planning, pricing, promotion, distribution and customer service. Selling is the narrower activity of converting the available product into sales. This difference explains why the two terms cannot be used interchangeably.

Step 2: Compare the two specified bases

Basis	Marketing	Selling
Meaning	Identifying customer needs and satisfying them through suitable goods and services and related activities.	Persuading customers to buy the goods or services offered and transferring them to the buyer for a price.
Emphasis	Customer needs and satisfaction; products are developed and offered to meet those needs.	The product and its sale; effort concentrates on converting the existing product into cash through persuasion.

Step 3: Conclusion Marketing emphasises satisfying customer needs through a broad set of activities, whereas selling emphasises persuading customers to buy the product already offered.

Quick Tip to Solve: Use the requested bases as table rows: marketing starts with customer needs, while selling focuses on selling the product.

6. Explain any three points which highlight the nature of principles of management. [3 marks]

Solution:

Concept:

- Management principles are broad guidelines for managerial decisions and behaviour; they are not rigid rules or exact scientific laws.
- Their application must take account of the particular people, organisation and situation involved.

Step 1: Explain their general character **General guidelines:** Principles provide guidance in making decisions rather than ready-made answers to every problem. Human and business situations are complex, so a manager must interpret a principle in the light of the problem. For example, the principle of fair remuneration guides a wage decision but does not prescribe one identical wage for all firms.

Step 2: Explain their flexibility **Flexible:** Management principles can be modified in their application to suit circumstances. They are not inflexible commands. A manager can allow a direct contact between employees when urgent action requires it, while retaining the normal chain of authority for

ordinary communication.

Step 3: Explain their dependence on circumstances **Contingent:** The application and effect of a principle depend upon the prevailing situation. The appropriate incentive, for instance, depends on employees' needs and the resources of the enterprise. A manager therefore studies the conditions before selecting how to apply a principle.

Step 4: Conclusion Three features of management principles are that they are general guidelines, flexible in application and contingent upon the situation.

Quick Tip to Solve: For nature questions, name a feature and explain how it affects the use of a principle; do not substitute the benefits of management principles.

7. Enumerate any three advantages and any three disadvantages of 'formal communication'. [3 marks]

Solution:

Concept:

- Formal communication follows the officially prescribed channels and relationships in the organisational structure.
- Its strengths arise from authorised channels; its limitations arise when those channels become lengthy or rigid.

Step 1: Enumerate three advantages **Fixes responsibility:** Official channels identify who sent and received a message, making responsibility easier to establish.

Maintains authority and control: Communication through designated superiors and subordinates supports orderly direction and supervision.

Provides an official record: Where messages are written and retained, instructions and decisions can be checked later, reducing disputes about what was authorised.

Step 2: Enumerate three disadvantages **Delay:** A message may pass through several levels before reaching the person who must act, slowing decisions.

Distortion or filtering: At successive levels, information may be shortened, misunderstood or selectively passed on, changing its meaning.

Rigidity and impersonality: Strict adherence to prescribed routes restricts free interaction and may discourage employees from communicating suggestions or difficulties openly.

Step 3: Conclusion Formal communication helps fix responsibility, preserve official authority and provide records; it can also cause delay, distortion and rigid, impersonal communication.

Quick Tip to Solve: Keep two separate lists of three points each: official accountability is an advantage, while the length and rigidity of the route create disadvantages.

8. "Leadership is required only for less efficient subordinates." Do you agree ? Give any three reasons in support of your answer. [3 marks]

Solution:

Concept:

- Leadership is the process of influencing people to work willingly towards organisational objectives.
- Competence does not remove employees' need for common direction, motivation and cooperation.

Step 1: State the position and explain common direction I do not agree with the statement that leadership is required "only for less efficient subordinates." Leadership is needed for efficient as well as less efficient employees. **Provides direction:** Even a highly skilled employee must understand the organisation's objectives and priorities. The leader guides individual effort towards these common goals so that technical efficiency contributes to organisational effectiveness.

Step 2: Explain motivation and cooperation **Motivates employees:** Efficient employees also have needs, aspirations and periods of discouragement. A leader recognises their contribution, builds confidence and inspires them to use their abilities willingly, rather than merely perform the minimum assigned work.

Secures cooperation and handles change: Able employees may still disagree about methods or resist a new procedure. Leadership builds trust, resolves differences and explains the need for change so that capable individuals work together as a team.

Step 3: Conclusion Leadership is necessary for all subordinates because it provides common direction, sustains motivation and secures cooperation, including during change. Efficiency alone does not perform these functions.

Quick Tip to Solve: Begin with a clear disagreement, then link each reason to why even a competent employee still needs leadership.

9. Explain briefly any three factors that are considered while fixing the price of a product. [3 marks]

Solution:

Concept:

- Price is the amount paid by the buyer in exchange for a product; it must be set in relation to both the firm's costs and market conditions.
- A sound pricing decision considers what the firm must recover, what customers will pay and what competing sellers offer.

Step 1: Consider the product cost **Product cost:** The firm considers the costs of producing, distributing and selling the product. Over the long run, revenue should recover total costs and provide a reasonable return. A higher cost therefore puts upward pressure on price, although a firm may accept a lower price temporarily for a particular objective.

Step 2: Consider demand and customer utility **Utility and demand:** Buyers' perception of the product's usefulness and the strength of demand influence the price they will accept. Where demand is highly sensitive to price, a rise may sharply reduce sales. Where buyers value a distinctive benefit

strongly, the firm may have greater freedom to charge a higher price.

Step 3: Consider competition **Extent of competition:** The prices and product features offered by competitors affect the seller's pricing freedom. Close substitutes and intense competition limit the price a firm can charge without losing customers. A differentiated product with fewer close substitutes may allow more discretion, subject to buyers' willingness to pay.

Step 4: Conclusion Three factors considered in fixing a product's price are product cost, utility and demand, and the extent of competition. The final price must balance cost recovery with market acceptance.

Quick Tip to Solve: Organise pricing factors as the firm's cost, the buyer's willingness to pay and competing offers; explain the effect of each on price.

10. Explain any three sales promotion activities commonly used by marketers. [3 marks]

Solution:

Concept:

- Sales promotion refers to short-term incentives offered to encourage an immediate purchase or trial of a product. It supplements advertising and personal selling.
- A marketer may offer a price advantage, additional quantity or an opportunity to try the product. The incentive should give the buyer a clear reason to purchase during the offer period.

Step 1: Explain a reduction in the selling price **Discount:** The marketer offers the product at a price lower than its listed price for a limited period. For example, a garment shop may announce a 20 per cent discount during an end-of-season sale. The immediate saving attracts price-conscious buyers and encourages them to buy before the offer ends.

Step 2: Explain an offer of additional quantity **Quantity gift:** The buyer receives an extra quantity of the same product without an additional charge, such as 20 per cent extra shampoo in a bottle at the usual price. The effective cost per unit falls, making the offer attractive and encouraging customers to choose the promoted brand.

Step 3: Explain free distribution for product trial **Free samples:** Small quantities of a product are distributed without charge so that prospective customers can try it. For example, a company may distribute small sachets of a new detergent. Trial reduces the customer's uncertainty about the product's quality and may lead to later purchases of the full-sized pack.

Step 4: Conclusion Discount, quantity gift and free samples are three commonly used sales promotion activities. They encourage purchases through an immediate price benefit, extra product or an opportunity to try the product respectively.

Quick Tip to Solve: For each sales promotion method, name the incentive and explain how that particular benefit encourages the buyer to purchase or try the product.

11. Which principle of management envisages that each group of activities having the same objectives must have one head and one plan ? Explain the principle with a suitable example. [4 marks]

Solution:

Concept:

- Henri Fayol's principle of unity of direction states that each group of activities having the same objective must have one head and one plan.
- The principle concerns the coordination of activities directed towards a common objective. A common plan and a single responsible head prevent conflicting efforts and duplication of work.

Step 1: Identify the principle from the given statement **Unity of direction:** The words "each group of activities having the same objectives" identify Fayol's principle of unity of direction. All activities forming one group and pursuing the same objective should be guided by one manager under a common plan.

Step 2: Explain how one head and one plan coordinate work **One head:** One manager is responsible for directing the group of related activities and coordinating the efforts of the people engaged in them. This establishes responsibility for the group's objective.

One plan: The activities follow a common plan instead of separate, inconsistent plans. Resources and efforts therefore move in the same direction, avoiding unnecessary duplication and helping the group achieve its common objective efficiently.

Step 3: Apply the principle to a suitable example **Example:** Suppose a company manufactures both cosmetics and medicines. It should organise the activities relating to cosmetics under one divisional head with a plan for the cosmetics business, and the activities relating to medicines under another divisional head with a plan for the medicines business. Within the cosmetics division, production, advertising and selling activities must be coordinated under its common plan to achieve that division's objective. The medicine division similarly follows its own common direction.

The principle does not require one plan for unrelated groups of activities. It requires unity within each group sharing the same objective. It is also distinct from unity of command, which concerns an employee receiving orders from only one superior.

Step 4: Conclusion The principle is **unity of direction**. One head and one plan for each group of activities having the same objective bring coordinated effort and purposeful action, as illustrated by separately directing the cosmetics and medicine businesses.

Quick Tip to Solve: Link "one head and one plan" with unity of direction; link "one employee and one superior" with unity of command.

12. "Delegation of authority is a process involving authority, responsibility and accountability." Explain this statement, in brief. [4 marks]

Solution:

Concept:

- Delegation is the transfer of authority from a superior to a subordinate to enable the subordinate to perform assigned duties. Its interrelated elements are authority, responsibility and accountability.
- Effective delegation matches the authority granted with the responsibility assigned; the subordinate remains answerable to the superior for performance.

Step 1: Assign responsibility for the task **Responsibility:** The superior first assigns a definite duty or task to the subordinate. Responsibility is the obligation to perform that duty properly. The subordinate must know what work is expected and the standards to be achieved; for example, a sales manager may assign a salesperson a particular sales territory. Responsibility arises from the superior-subordinate relationship and flows upward in the sense that the subordinate owes performance to the superior.

Step 2: Grant authority to perform the duty **Authority:** The superior grants the subordinate the right to take decisions, use the necessary resources and issue relevant instructions within specified limits. Authority flows downward from the superior to the subordinate. It must be adequate for the duty assigned: responsibility without sufficient authority prevents effective performance, while excessive authority can be misused. Thus, assigning a task must be accompanied by the powers needed to carry it out.

Step 3: Establish accountability for results **Accountability:** Once duties and powers are assigned, the subordinate becomes answerable to the superior for the results. Accountability flows upward and requires the subordinate to explain performance against the assigned task. It cannot be delegated away. The superior also remains ultimately accountable to their own superior for the work entrusted to the subordinate; delegation does not mean abandonment of responsibility.

Step 4: Relate the three elements The process therefore links an assigned duty, the power to discharge it and an obligation to report the result. Clear duties identify what is to be done, adequate authority makes action possible, and accountability ensures that performance can be reviewed. All three are necessary for effective delegation.

Step 5: Conclusion Delegation involves assigning responsibility, granting commensurate authority and creating accountability. These complementary elements enable a subordinate to act while preserving the superior's ultimate accountability.

Quick Tip to Solve: Remember the sequence: assign the duty, grant the power, and require an explanation of the result. Delegating authority does not remove the superior's ultimate accountability.

13. Which method of wage payment — Time-rate or Piece-rate — would you adopt in each of the following situations ? Give reasons in support of your answer.

(i) Where rate of output is determined solely by machine and not by operation,

(ii) Where production process requires high degree of skill,

(iii) Where work flow is regular, and

(iv) Where quantity of output is more important than its quality. [4 marks]

Solution:

Concept:

- Under the time-rate system, wages depend on the time worked at an agreed rate, irrespective of the number of units produced. It suits work where care, skill or a machine determines the pace.
- Under the piece-rate system, wages depend on the number of acceptable units produced at an agreed rate per unit. It directly rewards greater output and requires measurable output and a regular supply of work.

Step 1: Choose time-rate for machine-controlled output **(i) Time-rate:** The question states that output is determined "solely by machine". The worker cannot materially increase production by greater personal effort because the machine fixes the operating speed. Paying per piece would therefore fail to measure the worker's effort fairly and would give little effective incentive to produce more. Payment for time worked is appropriate when the pace is beyond the worker's control.

Step 2: Choose time-rate for highly skilled work **(ii) Time-rate:** Where the process requires a "high degree of skill", careful workmanship and accuracy deserve priority. Time-based wages let skilled workers concentrate on the quality of their work without rushing to increase the piece count. A piece-rate incentive could encourage haste and impair the precision or finish that such production requires.

Step 3: Choose piece-rate for regular workflow **(iii) Piece-rate:** A "regular" workflow supplies workers with a continuous opportunity to produce measurable units. They need not lose piece earnings through avoidable interruptions or lack of work. In these conditions, output-based payment can reward differences in effort and efficiency, motivating workers to raise production. A steady supply of work is therefore an important condition for using piece-rate wages effectively.

Step 4: Choose piece-rate when quantity has priority **(iv) Piece-rate:** Where the "quantity of output is more important than its quality", the organisation seeks a larger volume of production. Since every additional acceptable piece increases the worker's earnings, piece-rate wages provide a direct incentive to produce more. This links the worker's reward to the employer's output objective, while basic inspection can still prevent payment for defective units.

Step 5: Conclusion Adopt time-rate wages in situations (i) and (ii), and piece-rate wages in situations (iii) and (iv). The choice depends on whether time and careful work, or individual measurable output, provide the fairer basis of payment.

Quick Tip to Solve: A machine-fixed pace or a need for careful skill favours time-rate; regular measurable work and an emphasis on volume favour piece-rate.

14. The directors of a newly established company having paid up equity share capital of Rs. 2.5 crores, desire to get its shares traded at an Ail India level Stock Exchange. As finance manager of the company, suggest the name of the Stock Exchange for the purpose. Give any three reasons in support of your answer. [4 marks]

Solution:

Concept:

- The Over the Counter Exchange of India (OTCEI) was established to provide a nationwide market for the securities of smaller companies and to give them access to the capital market.
- The exchange should suit both the company's size and its requirement of trading throughout India. Under the framework relevant to this paper, OTCEI catered to companies with paid-up capital from Rs. 30 lakhs to Rs. 25 crores.

Step 1: Recommend the suitable exchange The company should seek listing on the **Over the Counter Exchange of India (OTCEI)**. The case describes a "newly established company" with "paid up equity share capital of Rs. 2.5 crores" that wants trading at an "All India level Stock Exchange". OTCEI was designed to serve smaller companies while providing nationwide trading facilities.

Step 2: Give three reasons for the recommendation

- **Suitability for a smaller company:** Its paid-up equity capital of Rs. 2.5 crores falls within the capital range served by OTCEI. Thus, the exchange provides an appropriate route to listing for a company of this size rather than requiring the larger capital base associated with the main national exchange.
- **Nationwide access:** OTCEI's network of counters and dealers enables investors in different parts of India to buy and sell listed securities. It therefore meets the directors' stated objective of having the shares traded at an all-India level.
- **Screen-based, transparent trading:** OTCEI uses a computerised, screen-based system rather than confining transactions to a physical trading ring. Investors can obtain quotations through its network, making dealings convenient and prices more transparent. This helps a newly listed smaller company reach investors efficiently.

Step 3: Conclusion OTCEI is the suitable recommendation: the company's Rs. 2.5 crore capital is appropriate for this market, and its nationwide, computerised trading network fulfils the directors' requirement.

Quick Tip to Solve: In an older stock-exchange case, connect a smaller company's capital with OTCEI and then explain how its national dealer network meets the stated trading requirement.

15. State any four regulatory functions of the Securities and Exchange Board of India (SEBI). [4 marks]

Solution:

Concept:

- The Securities and Exchange Board of India (SEBI) is the statutory regulator of India's securities market. Its regulatory functions establish rules for market participants and supervise their compliance.
- Regulatory functions should be distinguished from development measures, such as training intermediaries, and protective measures, such as prohibiting insider trading. Registration, rule-making and supervision are central regulatory activities.

Step 1: State the functions governing exchanges and intermediaries

- **Regulating stock exchanges and other securities markets:** SEBI regulates the business conducted by stock exchanges and other securities markets. It lays down rules for their orderly functioning and monitors whether trading and other market operations comply with the prescribed framework.
- **Registering and regulating intermediaries:** SEBI registers stockbrokers, sub-brokers, share-transfer agents, merchant bankers and other intermediaries associated with the securities market. Registration enables SEBI to prescribe conditions and codes of conduct and to supervise the services these intermediaries provide to investors and issuers.

Step 2: State the functions governing funds and corporate control

- **Registering and regulating collective investment schemes:** SEBI registers and regulates the working of collective investment schemes, including mutual funds. Its supervision ensures that these institutions operate within the applicable rules when they collect and invest money on behalf of investors.
- **Regulating substantial acquisitions and takeovers:** SEBI regulates substantial acquisition of shares and takeovers of companies. It prescribes disclosure and procedural requirements for changes in ownership or control so that such transactions follow an orderly and transparent regulatory process.

Step 3: Conclusion Four regulatory functions of SEBI are regulation of stock exchanges, registration and regulation of intermediaries, registration and regulation of collective investment schemes including mutual funds, and regulation of substantial share acquisitions and company takeovers.

Quick Tip to Solve: For regulatory functions, choose activities involving registration, rules or supervision; keep training and investor-awareness programmes for development functions.

16. "Management and Administration mean the same thing." Explain the view. [5 marks]

Solution:

Concept:

- Management is the process of planning, organising, staffing, directing and controlling human and other resources to achieve organisational objectives efficiently and effectively.
- According to the view that management and administration are synonymous, policy formulation

and policy execution are interrelated aspects of the same managerial process, rather than two separate functions performed by entirely different groups.

Step 1: Explain the common purpose and process **Common purpose:** Both management and administration seek to achieve the objectives of an organisation through coordinated human effort. Both require decisions about objectives, resources and the activities needed to obtain results.

Common functions: Planning, organising, staffing, directing and controlling are needed in both. An administrator who decides an objective must consider how it can be implemented; a manager carrying it out must also make plans and take decisions. Thus, the actual work cannot be divided neatly into administration alone and management alone.

Step 2: Explain why the apparent differences do not separate the concepts **Policy and execution are inseparable:** The view that administration only determines policies while management only executes them is too rigid. Policies are formulated in the light of practical experience, and their execution requires interpretation and further decisions. Each supports the other.

Difference in emphasis at different levels: Top executives devote more time to objectives and broad policies, whereas lower-level managers devote more time to supervision and implementation. Nevertheless, all levels perform both kinds of work in different proportions; this is a difference of emphasis, not a difference in the nature of the process.

Difference mainly in usage: The word administration is often used for government, educational and other non-business institutions, while management is commonly used for business enterprises. The terminology changes with the setting, but the basic task of getting work done through coordinated efforts remains the same.

Step 3: Conclusion Management and administration can therefore be treated as two names for the same overall process. Both include deciding what is to be achieved and arranging for its achievement; their apparent distinction arises mainly from organisational usage and the relative emphasis on policy and execution.

Quick Tip to Solve: For the synonymous view, connect common objectives, common functions and the inseparability of policy and execution; do not present a rigid policy-versus-execution distinction as the conclusion.

17. Explain, in brief, any five economic changes that have been initiated by the Government of India since 1991. [5 marks]

Solution:

Concept:

- The New Economic Policy introduced in India in 1991 changed the role of government and gave greater scope to market forces, private enterprise and international economic integration.
- Liberalisation means reducing unnecessary restrictions, privatisation means increasing the role of the private sector, and globalisation means integrating the domestic economy with the world economy. These broad policies were implemented through specific economic changes.

Step 1: Explain changes in industrial regulation and ownership **Abolition of industrial licensing:** Industrial licensing was abolished for most industries, with a limited number of exceptions retained

for reasons such as security and strategic importance. Firms consequently obtained greater freedom to establish undertakings, expand production and decide the scale of their operations without obtaining the earlier range of government approvals.

Reduction of the public sector's exclusive role: The number of industries reserved exclusively for the public sector was substantially reduced. Greater scope was given to private enterprise in activities previously reserved for government undertakings. Disinvestment of government shareholdings in selected public-sector enterprises also formed part of the movement towards privatisation.

Step 2: Explain changes encouraging competition and international links **Relaxation of restrictions on large business houses:** Earlier restrictions under the Monopolies and Restrictive Trade Practices framework relating to asset limits and prior approvals for expansion were removed. Large enterprises could therefore expand, diversify and establish new undertakings more freely, subject to the applicable laws, encouraging competition and growth.

Liberalisation of foreign investment: Restrictions on foreign investment were relaxed and foreign equity participation was permitted more freely in specified industries. This encouraged the inflow of capital, modern technology and managerial expertise, while exposing Indian producers to stronger competition from foreign enterprises.

Liberalisation of foreign trade: Import restrictions were progressively relaxed and customs duties were reduced. The policy moved away from extensive import controls towards greater interaction with world markets. Indian firms gained better access to foreign inputs and technology and faced increased competition from imported goods, while opportunities for exports widened.

Step 3: Conclusion Five major changes were industrial delicensing, a reduced exclusive role for the public sector, relaxation of restrictions on large business houses, liberalisation of foreign investment and liberalisation of foreign trade. Together they increased the freedom of enterprise and competition and linked Indian business more closely with the world economy.

Quick Tip to Solve: Name a concrete reform and explain what restriction changed or what freedom increased. Merely listing liberalisation, privatisation and globalisation does not explain five distinct economic changes.

18. Explain briefly the various steps involved in the process of controlling. [5 marks]

Solution:

Concept:

- Controlling is the management function of ensuring that actual performance conforms to planned performance. It identifies deviations and initiates corrective action so that organisational objectives can be achieved.
- Control is a continuous process: standards provide the basis of comparison, actual performance supplies feedback, and corrective action brings operations back towards the desired results.

Step 1: Establish and measure performance **1. Setting performance standards:** Standards are the criteria against which actual performance is judged. They should be clear, realistic and measurable wherever possible. For example, a production standard may specify the number of units to be produced in a month, while a quality standard specifies the permissible level of defects. Qualitative standards,

such as customer satisfaction, also need suitable indicators.

2. Measurement of actual performance: Measure work actually performed through personal observation, sample checking, performance reports or other appropriate techniques. Measurement should be timely and use units comparable with the standards. Thus, a monthly production standard must be compared with actual monthly output, rather than an unrelated daily figure.

Step 2: Compare, analyse and correct deviations **3. Comparing actual performance with standards:** Compare measured results with the predetermined standards to ascertain the extent and direction of deviations. Actual output below the target, for example, reveals an adverse deviation requiring investigation.

4. Analysing deviations: Investigate significant deviations to identify their causes. Critical-point control focuses attention on key areas, while management by exception directs managerial attention towards deviations beyond acceptable limits. A shortfall may arise from defective machinery, inadequate training or an unrealistic standard; identifying the cause prevents a mistaken remedy.

5. Taking corrective action: Remove the cause of the deviation by suitable action, such as repairing machinery, improving training or revising work methods. If the standard itself is unrealistic, revise it after proper examination. Follow up to check whether the action restores the required performance.

Step 3: Conclusion The controlling process comprises setting standards, measuring actual performance, comparing it with standards, analysing deviations and taking corrective action. These linked steps enable managers to turn performance feedback into improved results.

Quick Tip to Solve: Remember the sequence: set, measure, compare, analyse and correct. Distinguish finding a deviation from investigating its cause and removing it.

19. "Though one of the effects of under-capitalisation is that the market value of shares goes up, yet under-capitalisation is not considered good for the company." Do you agree with the statement ? Give reasons. [5 marks]

Solution:

Concept:

- Under-capitalisation exists when a company's actual capitalisation is lower than the capitalisation justified by its earning capacity. Its earnings in relation to the capital employed are unusually high; it does not simply mean a temporary shortage of cash.
- High earnings and dividends may raise the market value of shares. However, a rise in share value does not remove the adverse consequences of under-capitalisation for the company and its relations with other groups.

Step 1: Assess the statement and its apparent benefit Yes, the statement is correct. The words "the market value of shares goes up" refer to the attraction of a high earning and dividend rate. Investors may be willing to pay more for such shares. Nevertheless, the resulting high valuation is only one effect; it does not establish that the company's capital structure is sound. The statement's conclusion that under-capitalisation is "not considered good for the company" is supported by the following consequences.

Step 2: Explain the adverse consequences **1. Industrial disputes:** An exceptionally high rate of profit may lead employees to demand higher wages, bonuses and other benefits. If management does not meet these demands, dissatisfaction and industrial disputes can disturb production and increase costs.

2. Consumer resentment: Customers may regard the high profits as evidence that the company is charging excessive prices or exploiting them. They may demand price reductions, weakening goodwill and making it harder to retain their support.

3. Attraction of competition: Unusually high returns attract new firms into the industry and encourage existing rivals to expand. Stronger competition can reduce the company's sales, prices and future earning capacity.

4. Government intervention: High profits and allegations of exploitation may invite closer government scrutiny. The company may face measures such as price regulation or a heavier tax burden, adversely affecting its freedom of action and retained earnings.

5. Speculation in shares: A rapid rise in the market price can encourage speculative dealings. Share prices may become unstable or rise beyond a sustainable level, creating a risk of losses for later investors and damaging confidence in the company when prices fall.

Step 3: Conclusion Thus, I agree with the statement. Although under-capitalisation can increase the market value of shares, the associated labour demands, consumer resentment, competition, government intervention and speculation can harm the company's long-term interests.

Quick Tip to Solve: Explain under-capitalisation through earning capacity, then separate the shareholders' immediate price gain from the company's longer-term difficulties.

20. Explain, in brief, any five factors that should be taken into consideration while determining the long-term dividend policy. [5 marks]

Solution:

Concept:

- Dividend policy determines how much of a company's earnings is distributed to shareholders and how much is retained to finance the business. A long-term policy seeks a sustainable balance between these uses.
- Profit alone does not settle the decision: expected earnings, cash availability, investment requirements and shareholders' preference must also be considered.

Step 1: Examine the company's capacity to pay

- **Amount of earnings:** Dividends are paid out of current and accumulated profits. A company with substantial distributable earnings can consider a higher dividend, whereas low earnings limit the amount that can be distributed without weakening the business.
- **Stability of earnings:** A company with stable, predictable earnings can commit itself to a relatively high regular dividend. A company whose profits fluctuate should adopt a more cautious policy, since a high payment in one year may be difficult to maintain in a poor year.
- **Cash-flow position:** A dividend requires an actual outflow of cash. Even a profitable company may have funds tied up in inventories or receivables. It should therefore consider its cash balance

and other payment commitments before declaring a dividend.

Step 2: Balance retention with shareholders' expectations

- **Growth opportunities:** A company with attractive expansion projects needs funds for future investment. It may retain a larger proportion of earnings and pay a smaller dividend. A mature company with fewer investment opportunities can distribute a larger proportion, other things remaining the same.
- **Shareholders' preference:** Management should consider whether its shareholders favour regular current income or capital appreciation through the reinvestment of profits. Investors dependent on dividend income generally prefer regular payments, while investors seeking growth may accept greater retention. The policy should reconcile these expectations with the company's financial needs.

Step 3: Conclusion Thus, earnings, stability of earnings, cash-flow position, growth opportunities and shareholders' preference are five relevant factors. Together they help the company set a dividend that it can sustain while retaining enough funds for its future operations and growth.

Quick Tip to Solve: Separate ability to pay from willingness to distribute: check profits and cash first, then compare growth needs with shareholders' income expectations.

21(a). Explain briefly any six points which highlight the importance of planning. [6 marks]

Solution:

Concept:

- Planning means deciding in advance what is to be done, how it is to be done, when it is to be done and who is to do it. It bridges the gap between the present position and the desired future position.
- By establishing objectives and choosing a course of action, planning provides a common basis for coordinated work, managerial decisions and subsequent control.

Step 1: Explain how planning directs and improves operations

- **Provides direction:** Planning clearly states the objectives to be achieved and the actions needed to achieve them. Employees know what the organisation expects, so the efforts of different people and departments can move towards common goals instead of unrelated ends.
- **Reduces the risk of uncertainty:** Planning requires managers to look ahead, anticipate changes and consider their likely effects. They can prepare suitable responses to expected opportunities and threats. Planning cannot eliminate uncertainty, but it reduces the impact of surprises by improving preparedness.
- **Reduces overlapping and wasteful activities:** Plans clarify responsibilities and coordinate the activities of departments and individuals. This helps avoid duplication of work, conflicting actions and unnecessary use of resources. When activities are planned together, managers can identify inefficient procedures and take corrective decisions.

Step 2: Explain how planning supports managerial judgement

- **Promotes innovative ideas:** In searching for ways to reach objectives, managers examine existing

methods and develop alternative courses of action. Planning therefore encourages new ideas about products, processes and ways of using resources, rather than relying only on past practice.

- **Facilitates decision-making:** Planning involves identifying alternatives, evaluating their advantages and limitations and selecting the most suitable course. Objectives provide a basis for comparing alternatives, helping managers make purposeful decisions instead of acting without a clear direction.
- **Establishes standards for controlling:** Plans lay down the results and performance standards expected from activities. Actual performance can later be compared with these standards to identify deviations and take corrective action. Thus, planning provides the yardstick needed for effective control.

Step 3: Conclusion Planning is important because it provides direction, reduces uncertainty, avoids overlapping and waste, encourages innovation, facilitates decisions and establishes standards for control. These benefits help managers organise present action around the organisation's future objectives.

Quick Tip to Solve: Recall the six benefits in sequence: direction, uncertainty, waste, innovation, decisions and control. Explain how each benefit arises from planning.

OR

21(b). Explain, in brief, the meaning of 'policy' and 'rule' as types of plans and give any four points of distinction between them. [6 marks]

Solution:

Concept:

- A policy and a rule are standing plans: both provide guidance for recurring situations, but they allow different degrees of discretion.
- A policy is a general guideline for thinking and decision-making; a rule specifies what must or must not be done in a particular situation.

Step 1: Explain the meaning of a policy A **policy** is a general statement that guides managers' thinking and decisions towards organisational objectives. It establishes a broad framework within which a decision may be taken, rather than prescribing one compulsory response in every case. For example, a policy of giving preference to promotion from within guides recruitment decisions while leaving scope to consider the suitability of available employees. A manager applies judgement within the policy's limits.

Step 2: Explain the meaning of a rule A **rule** is a specific statement prescribing the action or non-action required in a given situation. It permits no discretion about whether to follow the stated requirement. For example, a rule that smoking is prohibited inside the factory requires every person concerned to refrain from smoking there. Unlike a general policy, the rule does not leave the person free to choose another course of action.

Step 3: Distinguish the two plans on four bases

Basis	Policy	Rule
Nature	A broad guideline for thinking and decision-making.	A definite instruction specifying what must or must not be done.
Discretion	Allows the manager to exercise judgement within stated limits.	Leaves no discretion regarding compliance with the prescribed action.
Flexibility	Is relatively flexible and can be applied with regard to the circumstances of the case.	Is rigid in application; the prescribed requirement must be followed whenever it applies.
Purpose	Promotes consistent decisions while directing them towards organisational objectives.	Secures uniform conduct and discipline by prescribing an exact requirement or prohibition.

Thus, a policy helps a manager select an appropriate course within a broad framework, whereas a rule determines the required conduct. Both guide action, but the presence or absence of choice is their central distinction.

Step 4: Conclusion A policy provides general guidance and scope for judgement; a rule lays down a specific compulsory requirement. They differ in nature, discretion, flexibility and purpose.

Quick Tip to Solve: Use the test of discretion: a policy guides a choice, while a rule prescribes the action. State each difference under the same basis in both columns.

22(a). What is an 'informal organisation' ? Distinguish between 'formal organisation' and 'informal organisation' on the basis of : (i) purpose, (ii) behaviour of members, (iii) adherence to rules, and (iv) stability. [6 marks]

Solution:

Concept:

- An informal organisation is the network of personal and social relationships that arises spontaneously when people interact at work.
- A formal organisation is deliberately created by management to achieve organisational objectives through defined jobs, authority and responsibilities.

Step 1: Define informal organisation An **informal organisation** is a network of personal and social relationships which develops spontaneously among people working together. It is not established by an official organisation chart or by management's orders. It grows as employees interact, find common interests and develop friendships, trust and group loyalties. For example, employees from different departments may regularly meet during lunch and form a friendship group. Such relationships exist alongside the prescribed work relationships and can cross departmental and hierarchical boundaries.

Step 2: Compare the organisations on the specified bases

Basis	Formal organisation	Informal organisation
Purpose	Is deliberately created to accomplish the objectives of the enterprise through coordinated work.	Arises to satisfy members' social and psychological needs, such as friendship, belonging and mutual support.
Behaviour of members	Behaviour in official relationships is guided by prescribed roles, authority and responsibility.	Behaviour is guided by personal feelings, friendships, group expectations and the relationships among members.
Adherence to rules	Members are expected to follow officially prescribed rules, procedures and the chain of authority.	There are no formally prescribed organisational rules governing the network; conduct is influenced by unwritten group norms and social acceptance.
Stability	Is relatively stable because positions and official relationships continue even when particular employees leave.	Is comparatively less stable because relationships depend on the interests, feelings and continued interaction of particular members.

Step 3: Interpret the comparison The difference is between a deliberately designed structure and a spontaneously developed social network. Informal organisation does not mean that members have no expectations of one another: its expectations are unwritten social norms, rather than management's formally established rules. Similarly, relative stability does not mean that a formal structure can never change; it means that its positions and relationships are less dependent on personal friendships.

Step 4: Conclusion Informal organisation develops naturally from social interaction. Compared with formal organisation, it serves social needs, relies on personal relationships and unwritten norms, and is relatively less stable.

Quick Tip to Solve: Use exactly the four bases asked: purpose, behaviour, rules and stability. Remember that informal groups have unwritten norms even though they lack formally prescribed rules.

OR

22(b). Explain, in brief, any six points which highlight the importance of decentralisation in an organisation. [6 marks]

Solution:

Concept:

- Decentralisation means the systematic delegation of authority to lower levels of management, leaving major policy decisions with top management.
- Its importance lies in allowing decisions to be made near the point of action while developing capable and responsible managers throughout the organisation.

Step 1: Explain the benefits for employees and their development

- **Develops initiative among subordinates:** Lower-level managers are given freedom to decide how to perform their work. They learn to use their judgement, take responsibility for decisions and seek

better methods instead of referring every matter to a superior. This encourages self-reliance and initiative.

- **Develops managerial talent for the future:** Exercising authority gives subordinates practical experience in decision-making and handling managerial problems. They learn from the consequences of their decisions and become capable of taking up more responsible positions. Thus, decentralisation helps create a pool of trained managers.

Step 2: Explain the benefits for decisions and senior management

- **Enables quick decision-making:** Decisions can be taken by the manager closest to the problem, who knows the local circumstances. The matter need not pass through several levels of authority for approval, reducing delay and enabling a prompt response to operating needs.
- **Provides relief to top management:** Routine operating decisions are taken at lower levels. Top managers can therefore devote more time to major policy matters, long-term planning and coordination rather than becoming overloaded with day-to-day problems. Overall responsibility and strategic authority remain with them.

Step 3: Explain the benefits for organisational growth and control

- **Facilitates growth:** Different units can exercise sufficient authority to manage their own activities. The organisation can expand into new products or locations without requiring every decision to be taken centrally. Capable managers at different levels support this expansion.
- **Improves control:** Responsibility for the results of a department or unit can be fixed clearly. Actual performance can be compared with the standards set for that unit, helping management identify deviations and take corrective action. Decentralisation therefore works with accountability and performance evaluation.

Step 4: Conclusion Decentralisation develops initiative and managerial talent, speeds up decisions, relieves top management, facilitates growth and improves control. These six benefits make the organisation more responsive while retaining accountability for results.

Quick Tip to Solve: Recall the six benefits in three pairs: initiative and talent; speed and relief; growth and control. Explain how delegated decision-making produces each benefit.

23(a). Explain, in brief, any six steps involved in the process of selection of employees. [6 marks]

Solution:

Concept:

- Selection is the process of choosing, from the applicants, the person best suited to the requirements of a job. It involves assessing applicants and eliminating unsuitable candidates at successive stages.
- A sound selection procedure compares the candidate's qualifications, abilities and suitability with the job requirements. The following are six steps in this process, presented in their usual sequence.

Step 1: Screen applicants and test their abilities

- **Preliminary screening:** Applications are examined to remove candidates who do not meet the basic requirements of the job, such as the prescribed educational qualifications or experience. A

preliminary interview may also help eliminate clearly unsuitable applicants. This saves the time and cost of putting every applicant through the full procedure.

- **Selection tests:** Suitable applicants are given tests to measure relevant characteristics. Intelligence tests assess learning and reasoning ability, aptitude tests indicate potential for learning a skill, and trade or proficiency tests assess existing job skills. The tests chosen should relate to the work to be performed.

Step 2: Assess candidates personally and verify their information

- **Employment interview:** A formal conversation between the interviewer and the candidate helps assess the candidate's suitability for the position. Questions explore experience, knowledge, interests and attitudes. The candidate can also obtain information about the job and the organisation, making the assessment a two-way exchange.
- **Reference and background checks:** The organisation contacts referees named by the candidate, such as previous employers or teachers, and verifies relevant details. These checks provide additional information about past performance, conduct and experience and help confirm the accuracy of the application.

Step 3: Decide whom to select and establish medical suitability

- **Selection decision:** The results of screening, tests, interviews and reference checks are considered together. The responsible manager, generally in consultation with the personnel department and the supervisor concerned, chooses the candidate whose abilities and characteristics best fit the job. The decision should rest on job-related evidence.
- **Medical examination:** After the selection decision and before the final appointment, the selected candidate undergoes a medical fitness examination where required. It establishes whether the candidate is physically fit to perform the duties of the particular job. The examination should assess fitness in relation to those duties.

Step 4: Conclusion Six steps in employee selection are preliminary screening, selection tests, employment interview, reference and background checks, selection decision and medical examination. Together they help the organisation select a suitable person on the basis of relevant and verified information.

Quick Tip to Solve: Keep recruitment and selection separate: recruitment attracts applicants, while selection screens, tests, interviews, verifies, decides and checks fitness.

OR

23(b). Explain briefly any six external sources of recruitment of workers. [6 marks]

Solution:

Concept:

- Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs. External recruitment attracts candidates from outside the existing workforce.
- External sources widen the choice available to an organisation and may bring fresh skills and ideas.

The appropriate source depends on the nature and level of the vacancy.

Step 1: Explain sources suited to workers and routine vacancies

- **Direct recruitment:** A notice stating the available jobs is displayed at the factory gate or another prominent place. Job seekers assemble on the specified date and suitable candidates are selected. This source is commonly used for casual vacancies of unskilled or semi-skilled workers.
- **Casual callers:** People sometimes apply to an organisation on their own initiative even when no vacancy has been advertised. The organisation maintains a list or database of such applicants and contacts suitable persons when a vacancy arises, saving the time and cost of a fresh search.
- **Employment exchanges:** Employment exchanges maintain records of job seekers and their qualifications. An employer notifies its requirements, and the exchange forwards names of suitable candidates. This is especially useful for filling operative and routine jobs.

Step 2: Explain sources that reach a wider pool of candidates

- **Advertisement:** Vacancies are announced in newspapers, journals or other suitable media, stating the job, required qualifications and application procedure. Advertising reaches a large number of potential applicants and enables the employer to choose from a wider pool.
- **Recommendations of employees:** Existing employees recommend friends, relatives or other persons they consider suitable for vacancies. Employees know the organisation and often recommend candidates whose abilities and background they know, helping the employer locate applicants quickly.
- **Labour contractors:** Contractors maintain contact with workers and provide the required number to an organisation at short notice. This source is useful where a large number of workers is needed temporarily, such as for construction work, although dependence on the contractor can create difficulties if the workers leave with the contractor.

Step 3: Conclusion Six external sources are direct recruitment, casual callers, employment exchanges, advertisement, recommendations of employees and labour contractors. Each brings applicants from outside the organisation, but differs in reach, speed and suitability for the work.

Quick Tip to Solve: Name each source and explain how it actually brings applicants to the employer; merely listing six names does not explain recruitment sources.

24(a). "Advertising costs are passed on to the consumers in the form of high prices" and "Some advertisements are in bad taste". Do you agree ? Give reasons in support of your answer. [6 marks]

Solution:

Concept:

- Advertising is a paid form of non-personal presentation and promotion of goods, services or ideas by an identified sponsor. Its economic effects must be distinguished from the objectionable content of particular advertisements.
- The criticism that advertising raises prices concerns its cost. The criticism that some advertisements are in bad taste concerns social values and the manner in which products are presented.

Step 1: Examine whether advertising necessarily raises consumer prices

- **Advertising is an additional expenditure:** Money spent on advertising forms part of the firm's marketing cost. Critics therefore argue that firms recover it through higher selling prices, so consumers ultimately bear the expense.
- **Larger sales can lower unit costs:** Advertising makes buyers aware of the product and can create demand. If sales and production increase, the business can operate on a larger scale and spread fixed production costs over more units. Economies of large-scale production can reduce the cost per unit.
- **Judge the net effect:** The reduction in unit production cost may offset or exceed the advertising expenditure per unit, allowing the product to be sold at a lower price. Therefore, the statement that advertising costs are always passed on as high prices is not necessarily correct. Its effect depends on the increase in demand and the resulting cost savings.

Step 2: Examine the criticism about advertisements in bad taste

- **The criticism has a valid basis in some cases:** Advertisements sometimes use offensive language, objectionable pictures, indecent presentation or material unrelated to the product merely to attract attention. Such advertisements can offend public feelings and accepted standards of decency.
- **Taste differs among viewers:** What appears objectionable to one person may be acceptable to another. This makes a universal judgement difficult, but it does not excuse advertising that disregards prevailing social values or harms the dignity of people.
- **Condemn the misuse, not the whole activity:** The words "some advertisements" are significant. Many advertisements give useful product information in a responsible manner. Advertisers should avoid offensive material and exercise social responsibility; particular examples of bad taste do not establish that advertising as a whole is undesirable.

Step 3: Conclusion I do not agree that advertising necessarily causes high consumer prices: increased sales and economies of scale may offset its cost. I agree that some advertisements are in bad taste and should be corrected or avoided, while recognising that this is a criticism of their content and presentation rather than of all advertising.

Quick Tip to Solve: For the cost objection, compare advertising expense with economies of scale. For bad taste, acknowledge specific misuse without treating every advertisement as offensive.

OR

24(b). Explain, in brief, the factors that are taken into consideration while taking decision on pricing the product. [6 marks]

Solution:

Concept:

- Price is the amount a customer pays to obtain a product. Pricing must balance the firm's costs and objectives with the value customers perceive.
- Cost usually sets the lower limit, while demand and perceived utility influence the upper limit.

Competition and government regulation further restrict the practical choice.

Step 1: Examine costs, demand and competition

- **Product cost:** The firm considers fixed costs, variable costs and the total cost of producing and selling the product. Over a sustained period, price must recover these costs and provide a reasonable return; otherwise continued production becomes uneconomic. A firm may accept a lower contribution temporarily, but cannot ignore cost recovery in the long run.
- **Utility and demand:** Customers pay according to the usefulness they attach to the product and their ability and willingness to buy it. When demand is elastic, a small price rise may cause a substantial fall in sales. Where buyers perceive high utility and demand is less elastic, the firm has greater scope to charge a higher price.
- **Extent of competition:** Competitors' prices, product quality and likely reactions are considered. Close substitutes limit the price a seller can charge. A differentiated product may justify a premium, whereas intense competition often requires a price close to competing offers.

Step 2: Relate the price to objectives and market conditions

- **Government and legal regulations:** Pricing must comply with applicable price controls and other government restrictions intended to protect buyers and prevent unfair practices. A firm cannot freely raise the price of a product whose price is regulated.
- **Pricing objectives:** The desired price depends on whether the firm seeks maximum current profit, a larger market share, product-quality leadership or survival. For example, a firm seeking wider market penetration may keep the initial price low, while one offering superior quality may price higher to support that position.
- **Marketing methods used:** Price must support the chosen distribution and promotion methods. Dealer margins, sales commissions, advertising, delivery, credit facilities, guarantees and after-sales service affect the amount required from sales. A product sold with extensive service may therefore carry a different price from one sold with minimal service.

Step 3: Conclusion A sound pricing decision considers product cost, utility and demand, competition, government regulation, pricing objectives and marketing methods together. The selected price should attract the target customers while supporting the firm's overall marketing plan.

Quick Tip to Solve: Organise pricing factors as cost, customer, competitors, control, company objectives and channels; explain how each changes the firm's freedom to set its price.

25(a). Explain the following rights of consumers :

(i) The Right to safety,

(ii) The Right to consumer education, and

(iii) The Right to be heard. [6 marks]

Solution:

Concept:

- Consumer protection safeguards buyers against unsafe products, unfair trade practices and exploitation. Consumer rights also enable buyers to participate effectively in the market.
- The right to safety protects life and health, consumer education develops awareness, and the right to be heard ensures that consumer interests and complaints receive consideration.

Step 1: Explain protection through safety and education

- **(i) Right to safety—meaning:** A consumer has the right to be protected against the marketing of goods and services hazardous to life and property. Products such as electrical appliances, medicines and food should meet the relevant safety requirements when used as directed. A seller should not expose buyers to avoidable danger merely to increase sales.
- **Right to safety—practical use:** Consumers should be able to obtain safe, reliable products with proper directions and warnings. They should prefer goods bearing appropriate quality-certification marks, such as ISI for relevant industrial products, and follow the instructions supplied. Safety protection concerns the product's long-term effects as well as immediate injury.
- **(ii) Right to consumer education—meaning:** A consumer has the right to acquire knowledge and skills needed to make informed choices. This includes awareness of consumer rights, available remedies, quality standards and the precautions necessary when buying and using products.
- **Right to consumer education—practical use:** Education helps buyers read labels, compare price and quality, recognise misleading advertisements, retain purchase evidence and understand where to complain. Information provided through schools, the media and consumer organisations enables consumers to resist exploitation rather than remain dependent on the seller's claims.

Step 2: Explain the opportunity to be heard

- **(iii) Right to be heard—meaning:** Consumers have the right to have their interests receive due consideration at appropriate forums. A buyer must have an opportunity to express dissatisfaction about defective goods, deficient services or unfair treatment instead of having the grievance ignored.
- **Right to be heard—practical use:** Consumers can present complaints to the seller's grievance mechanism and, where necessary, approach the appropriate consumer forum. Consumer associations can also represent their interests. This right provides an avenue for presenting a complaint and having it considered; the right to obtain suitable relief is separately known as the right to seek redressal.

Step 3: Conclusion The right to safety protects consumers from hazardous products, the right to consumer education equips them to make informed decisions and use remedies, and the right to be heard gives them a voice before sellers and appropriate forums. Together these rights make consumer protection more effective.

Quick Tip to Solve: Keep the three ideas distinct: safety concerns danger, education concerns awareness, and being heard concerns the opportunity to present consumer interests or complaints.

OR

25(b). Explain any four ways and means of consumer protection followed in India. [6 marks]

Solution:

Concept:

- Consumer protection means safeguarding buyers against unfair trade practices, unsafe products, misleading information and other forms of exploitation.
- Protection requires preventive action by business and informed action by consumers, supported by voluntary organisations and legal remedies. The following are four recognised ways and means followed in India.

Step 1: Explain preventive action by business and consumers

- **Self-regulation by business:** Business firms should voluntarily adopt fair practices because satisfied customers are essential for their continued success. They should maintain product quality, charge fair prices, provide accurate information and avoid misleading advertisements. They should also establish accessible complaint-handling arrangements and promptly replace defective goods or resolve genuine grievances. Trade associations can frame codes of conduct for their members and encourage compliance, reducing the need for consumers to seek outside intervention.
- **Consumer awareness and education:** An informed consumer is better able to protect personal interests. Consumers should learn their rights and responsibilities, read labels and instructions, compare quality and prices, and insist on a cash memo as proof of purchase. Awareness programmes through schools, the media and public campaigns teach buyers to recognise exploitation and use available redressal procedures. Such knowledge enables consumers both to prevent avoidable loss and to make an effective complaint when a seller acts unfairly.

Step 2: Explain organised support and legal protection

- **Consumer organisations and non-governmental organisations:** Voluntary consumer bodies educate buyers, publish useful product information and advise consumers about their complaints. They may test products, expose unfair practices and help aggrieved buyers prepare or pursue cases before the appropriate redressal agency. By presenting a collective voice, these organisations give individual consumers greater strength in dealing with powerful producers and traders.
- **Government and legislation:** The government protects consumers through laws regulating product safety, quality, weights and measures, and unfair trading practices. In the setting of this paper, the Consumer Protection Act, 1986 provides a three-tier machinery of District Forums, State Commissions and the National Commission for consumer redressal. An eligible complaint can lead to relief such as removal of defects, replacement, refund or compensation. Legal enforcement therefore gives practical backing to consumer rights and discourages exploitation.

Step 3: Conclusion Four ways and means of consumer protection in India are self-regulation by business, consumer awareness and education, the work of consumer organisations, and government action through legislation and redressal agencies. Together they help prevent unfair practices and secure remedies when consumers suffer loss.

Quick Tip to Solve: Organise the answer around four actors: responsible businesses, informed consumers, voluntary consumer bodies and the government. Explain the action each takes rather than merely listing their names.