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

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 process. [2 marks]

Solution:

Concept:

- Management is the process of getting work done effectively and efficiently through people to achieve organisational objectives.
- A process consists of a series of interrelated functions; management includes planning, organising, staffing, directing and controlling.

Step 1: Identify the functions of management Management starts with planning, which decides objectives and the course of action. Organising arranges activities and resources, while staffing places suitable people in the required positions.

Step 2: Explain their continuous relationship Directing guides, motivates and leads employees to carry out the plans. Controlling compares actual results with standards and initiates corrective action. These functions influence one another and recur as circumstances change; they are not isolated acts. For example, a control finding may require a revised plan or a different allocation of work.

Step 3: Conclusion Thus, management is a continuous, coordinated process of planning, organising, staffing, directing and controlling human and other resources to attain organisational goals effectively and efficiently.

Quick Tip to Solve: For a question asking why management is a process, name its functions and explain that they are interrelated and continuous.

2. Give any two examples of the impact on business organisations due to change in economic environment. [2 marks]

Solution:

Concept:

- The economic environment includes economic policies, income, prices, interest rates and other economic conditions affecting business.
- A change in these conditions changes business costs, demand, competition or opportunities and therefore requires a business response.

Step 1: Explain the effect of a change in interest rates **Interest rates:** A rise in lending rates makes borrowed funds more expensive. A business relying on loans faces higher financing costs and may postpone expansion or the purchase of machinery. Conversely, lower rates can encourage investment.

Step 2: Explain the effect of a change in income **Income levels:** An increase in consumers' disposable incomes raises their purchasing power and can increase demand for consumer durables such as refrigerators and cars. Firms producing these goods may expand output or introduce better models to serve the larger market.

Step 3: Conclusion Two examples are higher interest rates increasing the cost of business borrowing, and higher disposable incomes increasing demand for consumer goods. Each economic change affects business decisions through costs or sales opportunities.

Quick Tip to Solve: State both the economic change and its business consequence; merely naming inflation or income is not a complete example.

3. Explain, in brief, the term 'directing' as a function of management. [2 marks]

Solution:

Concept:

- Directing is the managerial function of instructing, guiding, motivating and leading people to achieve organisational objectives.
- Its main elements are supervision, motivation, leadership and communication; together they initiate action by employees.

Step 1: Explain how directing puts plans into action After plans have been made and work has been assigned, employees need guidance about what to do and how to do it. Directing provides instructions, clarifies duties and supervises performance so that the planned activities actually begin.

Step 2: Explain its human focus A manager also motivates employees to contribute willingly, leads them towards common goals and communicates information and feedback. Thus, directing concerns influencing people rather than merely allocating resources. It operates at every managerial level and continues while employees perform their work.

Step 3: Conclusion Directing means guiding, instructing, supervising, motivating and leading employees so that their efforts contribute to organisational objectives. It is the management function that initiates action and sustains purposeful performance.

Quick Tip to Solve: Connect directing with people and the initiation of action, then recall its four elements: supervision, motivation, leadership and communication.

4. What is meant by the 'product concept of marketing' ? [2 marks]

Solution:

Concept:

- The product concept is a marketing philosophy that assumes consumers favour products offering superior quality, performance and features.
- Under this approach, the business concentrates on making and continuously improving its product rather than starting with a detailed study of customer needs.

Step 1: State the central assumption The product concept holds that buyers prefer products that are better in quality, performance or innovative features. A firm following this philosophy therefore believes that a technically superior product will attract customers.

Step 2: Explain the managerial emphasis Managers devote attention to product design, quality and continuous improvement. However, product excellence alone may not ensure sales if the product does not match customer needs or is priced or distributed poorly. This limitation explains why the product concept differs from the marketing concept, which begins with the needs of the target market.

Step 3: Conclusion The product concept of marketing is the belief that consumers will favour products with superior quality, performance and features, so the firm should focus on producing and continuously improving such products.

Quick Tip to Solve: Remember the key words quality, performance and features; low price and mass availability describe the production concept instead.

5. Differentiate between 'marketing' and 'selling' on the basis of :

(a) objective and

(b) process [2 marks]

Solution:

Concept:

- Marketing is the wider process of identifying and satisfying customer needs profitably, whereas selling focuses on persuading buyers to purchase the existing product.
- The required distinction is specifically on objective and process; both must be compared on the same basis.

Step 1: Compare the objectives Marketing aims at earning profit through customer satisfaction and lasting relationships. Selling aims at earning profit through sales volume by converting existing products into cash. Both seek business returns, but the route used is different.

Step 2: Present the differences on the two stated bases

Basis	Marketing	Selling
Objective	Profit through satisfaction of customer needs.	Profit through increased sales volume.
Process	Begins before production with identifying customer needs; includes product planning, pricing, promotion, distribution and after-sales service.	Generally begins after production; concentrates on promotion and persuasion to transfer the product to the buyer.

Step 3: Conclusion Marketing seeks profit by satisfying customer needs through an integrated process beginning before production. Selling seeks profit through sales volume, mainly by persuading customers to buy what has already been produced.

Quick Tip to Solve: For process, compare where each begins and how wide it is; for objective, contrast customer satisfaction with sales volume.

6. State any three reasons as to why proper understanding of management principles is necessary. [3 marks]

Solution:

Concept:

- Management principles are general guidelines developed from experience and observation; their application depends on the circumstances of the organisation.
- Understanding their significance enables a manager to use experience systematically instead of relying entirely on intuition or repeated trial and error.

Step 1: Explain how principles guide managerial action **Useful insight into reality:** Principles help a manager understand the relationship between managerial decisions and their likely effects. They provide a store of knowledge about how people and activities can be organised. For example, understanding unity of command alerts the manager to the confusion caused by conflicting orders.

Thus the manager can recognise a problem and select a suitable course of action.

Step 2: State the benefits for resources and decisions **Optimum utilisation of resources and effective administration:** Principles guide the economical use of human and material resources. Proper division of work, clear authority and coordination reduce duplication, waste and avoidable delays.

Scientific decisions: Principles encourage decisions based on facts, logical reasoning and an assessment of likely consequences. They reduce dependence on personal prejudice and blind trial and error, while still allowing the manager to adapt the guideline to the situation.

Step 3: Conclusion The three reasons are useful insight into managerial reality, optimum utilisation of resources with effective administration, and more scientific decision-making.

Quick Tip to Solve: For a question on the significance of principles, name each benefit and connect it to a concrete improvement in managerial decisions or the use of resources.

7. Enumerate any six common barriers to effective communication. [3 marks]

Solution:

Concept:

- Communication is effective when the receiver understands the message in the sense intended by the sender and can give appropriate feedback.
- Barriers may arise from the words used, the psychological state of people, organisational arrangements or personal attitudes.

Step 1: Enumerate barriers relating to the message and perception **1. Badly expressed messages:** Vague words, poor choice of language or an unclear sentence can obscure the intended meaning.

2. Symbols with different meanings: A word or symbol may carry different meanings for the sender and receiver, leading to a different interpretation.

3. Faulty translations: When a message passes from one language into another, inaccurate translation may change or omit its meaning.

Step 2: Enumerate barriers relating to people and organisation **4. Lack of attention:** A preoccupied receiver may fail to listen carefully and miss essential information.

5. Distrust: If the receiver does not trust the sender, even a clear message may be doubted or rejected.

6. Organisational status: Status differences can discourage subordinates from expressing doubts or giving complete information to superiors. These are six distinct barriers; the first three concern the expression or interpretation of meaning, while the remaining three concern people and their working relationships.

Step 3: Conclusion Six common barriers are badly expressed messages, symbols with different meanings, faulty translations, lack of attention, distrust and organisational status differences.

Quick Tip to Solve: When asked to enumerate six barriers, number six separate textbook terms; avoid counting two examples of the same barrier as different points.

8. "The post of supervisor should be abolished in the hierarchy of managers". Do you agree ? Give any three reasons in support of your answer. [3 marks]

Solution:

Concept:

- Supervision means overseeing employees at work, guiding their efforts and ensuring that assigned activities are performed properly.
- The supervisor occupies the first-line management position and maintains direct contact with workers, linking their work with managerial plans.

Step 1: State the position and explain the communication link I do not agree that the post of supervisor should be abolished. Direct supervision performs useful functions that cannot be replaced merely by issuing instructions from higher levels.

1. Link between management and workers: The supervisor communicates management decisions and instructions to workers and conveys their suggestions, grievances and difficulties back to management. This two-way contact helps management understand shop-floor conditions and helps workers understand what is expected of them.

Step 2: Explain guidance and discipline at the workplace **2. Guidance and training:** Since the supervisor is close to day-to-day work, the supervisor can demonstrate correct methods, clear doubts and provide on-the-job training. Timely guidance helps workers avoid mistakes and improve their skill and efficiency.

3. Discipline and control of performance: The supervisor observes actual work, checks whether it follows instructions and takes timely corrective action when problems arise. Fair supervision also encourages cooperation and orderly working, helping the group achieve its assigned targets.

Step 3: Conclusion The post should be retained because the supervisor links management with workers, provides guidance and training, and maintains discipline while monitoring performance.

Quick Tip to Solve: Begin with a clear agreement or disagreement, then give three functions of supervision that directly justify your position.

9. Explain briefly any three features of personal selling. [3 marks]

Solution:

Concept:

- Personal selling is an oral presentation and interaction with prospective buyers for the purpose of making sales and building customer relationships.
- Its distinguishing features arise from direct personal contact, an adaptable message and immediate interaction between the seller and buyer.

Step 1: Explain personal contact and flexibility **1. Personal form of communication:** Personal selling involves direct interaction between a salesperson and a prospective buyer. The seller can explain the product and the buyer can ask questions about its use, price or suitability. This individual contact distinguishes it from an impersonal advertisement addressed to a large audience.

2. Flexibility: The salesperson can modify the presentation to suit the needs, knowledge and reactions of a particular customer. For example, the seller may spend more time demonstrating a feature about which that buyer is uncertain, instead of repeating the same fixed message to everyone.

Step 2: Explain the role of immediate feedback **3. Direct feedback:** The buyer can respond immediately through questions, objections, facial expressions or a decision to purchase. The salesperson can observe these reactions and clarify doubts on the spot. This makes the communication two-way and enables quick correction of a misunderstanding. The feature is immediate knowledge of the customer's response; it does not mean that every sales presentation must necessarily result in a purchase.

Step 3: Conclusion Three features of personal selling are personal interaction, flexibility of the sales presentation, and direct or immediate feedback from the prospective buyer.

Quick Tip to Solve: Explain each feature through what the salesperson can do during a customer interaction; keep features separate from benefits such as increased sales.

10. Explain briefly any three techniques of sales promotion commonly used by marketeers to attract the customers towards the product. [3 marks]

Solution:

Concept:

- Sales promotion consists of short-term incentives that encourage consumers to buy a product and supplement advertising and personal selling.
- A technique offers a clear extra benefit, such as a lower price, more quantity or an opportunity to try the product. The following are three commonly used techniques.

Step 1: Explain price-based incentives **Discount:** The seller offers the product at a price below its normal listed price for a specified period. For example, a garment shop may offer a discount of 20 per cent during a seasonal sale. The immediate saving attracts price-conscious customers and encourages them to buy during the offer period rather than postpone their purchase.

Step 2: Explain quantity-based incentives **Quantity gift:** The customer receives an additional quantity of the same product without paying an additional price. For example, a pack may contain 20 per cent extra detergent at the normal price, or a seller may offer one unit free with the purchase of two units. This raises the value received for the amount spent and can encourage a larger purchase.

Step 3: Explain trial-based incentives **Sampling:** Small quantities or trial packs of a product are distributed free to prospective customers. For example, a company launching a new shampoo may distribute sachets so that consumers can try it before buying a regular pack. Sampling reduces the hesitation involved in trying an unfamiliar product and can convert a satisfactory trial into a purchase.

Step 4: Conclusion Discounts, quantity gifts and free samples attract customers by offering immediate savings, extra quantity and a risk-free trial respectively. Each is a sales-promotion incentive designed to stimulate purchase in the short term.

Quick Tip to Solve: For each technique, state the incentive and add a short example showing why it encourages purchase.

11. Which principle of management is violated if an employee is asked to receive orders from two superiors ? Explain the principle with a suitable example. [4 marks]

Solution:

Concept:

- Henri Fayol's principle of unity of command states that each employee should receive orders from one superior only and be accountable to that superior for the assigned work.
- A clear reporting relationship prevents conflicting instructions, confusion about priorities and divided responsibility. It also allows the superior to maintain discipline and assess performance fairly.

Step 1: Identify the violated principle **Unity of command:** This principle is violated when an employee is required to receive orders from two superiors. The same subordinate is then subject to two sources of authority for the work, instead of having one clearly identified immediate boss.

Step 2: Explain the requirement and its purpose **One employee, one immediate superior:** Instructions concerning an employee's assigned work should come through one superior. The employee should report the results to that superior, who can coordinate the task and hold the employee responsible. If two superiors issue different instructions, the employee may be unable to satisfy both and may not know whose order takes priority. Such dual command can weaken authority, disturb discipline and lead to delays or disputes over responsibility.

Step 3: Illustrate the violation with an example **Suitable example:** Suppose a salesperson is instructed by the sales manager to visit customers in another town, while the branch manager separately orders the same salesperson to remain in the showroom on the same day. The salesperson cannot comply with both orders simultaneously. This creates confusion and may cause either superior to blame the employee for disobedience. Under unity of command, the salesperson would receive the final, coordinated instruction from one immediate superior; the managers would resolve the conflicting demands through the proper authority relationship.

Step 4: Conclusion The violated principle is **unity of command**. An employee should receive orders from, and be answerable to, one immediate superior so that authority, responsibility and work priorities remain clear.

Quick Tip to Solve: Link "two bosses giving orders to one employee" with unity of command; unity of direction instead concerns one plan and one head for activities with the same objective.

12. "The concept of decentralisation is related to the concept of delegation." Explain this statement in brief. [4 marks]

Solution:

Concept:

- Delegation is the transfer of authority from a superior to a subordinate to perform an assigned task. The superior remains accountable for the final result.
- Decentralisation is the systematic dispersal of decision-making authority throughout the levels of

an organisation, subject to overall policy and control.

Step 1: Explain delegation as the starting point **Individual transfer of authority:** A manager assigns work to a subordinate and gives the authority needed to carry it out. This delegation creates a superior-subordinate relationship and permits the subordinate to take decisions within the specified limits. It is needed whenever a manager obtains work through others.

Step 2: Extend delegation across the organisation **Systematic distribution:** Decentralisation develops when authority is delegated consistently at several levels and over a wide range of activities. Thus, it is an extension of delegation: instead of an occasional transfer by one manager, it becomes a deliberate policy of sharing decision-making power throughout the organisation.

Step 3: State the degree of freedom involved **Greater local discretion:** Under decentralisation, lower-level managers receive substantial authority to make decisions concerning their units. The extent of delegation determines the degree of decentralisation. The wider the scope of decisions entrusted to lower levels, the greater the decentralisation, while top management retains major policy decisions and overall control.

Step 4: Clarify their relationship and distinction **Related but distinct:** Delegation is the means through which decentralisation is achieved, but delegation alone does not necessarily imply decentralisation. A manager may delegate only routine tasks and retain nearly all important decisions. Decentralisation exists when extensive delegation is adopted as an organisation-wide policy; it does not remove the ultimate accountability of superiors.

Step 5: Conclusion Decentralisation rests on delegation and represents its wider, systematic application. Delegation transfers authority between particular individuals, whereas decentralisation spreads decision-making authority throughout the organisation.

Quick Tip to Solve: Link the two terms with "extension": delegation is the individual act, and decentralisation is the policy of extending it widely across levels.

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 quality is of supreme importance,

(ii) Where units of output can be measured,

(iii) Where job is standardised, and

(iv) Where there is no clear relationship between effort and output. [4 marks]

Solution:

Concept:

- Under the time-rate system, wages depend on time worked. It gives stable earnings and allows workers to concentrate on care and quality rather than on producing more units.
- Under the piece-rate system, wages depend on the number of acceptable units produced. It directly rewards higher output when work is measurable and sufficiently standardised.

Step 1: Select time-rate when quality is supreme **(i) Time-rate:** Where quality is of supreme

importance, payment should depend on time worked. Workers can devote the necessary attention to precision, finishing and inspection without fearing a loss of earnings from slower, careful work. Piece-rate could encourage haste to earn more, increasing defects and impairing quality.

Step 2: Select piece-rate when output is measurable **(ii) Piece-rate:** When units of output can be measured, each worker's production can be counted and wages can be calculated at an agreed rate per acceptable unit. The worker can see the direct reward for additional production. This gives an incentive to improve effort and productivity, with quality standards used to determine acceptable output.

Step 3: Select piece-rate for a standardised job **(iii) Piece-rate:** A standardised job involves comparable operations and units with reasonably uniform time and skill requirements. This makes it possible to fix a fair rate per piece and compare workers' output on a common basis. Repeated performance also allows a worker to become more efficient and receive the benefit through higher earnings.

Step 4: Select time-rate when effort and output are not clearly linked **(iv) Time-rate:** Where there is no clear relationship between effort and output, piece-rate would not fairly measure a worker's contribution. Production may depend on machinery, waiting time or other conditions beyond the individual's effort. Payment for time worked therefore provides a more suitable basis, while supervision and work standards can be used to assess performance.

Step 5: Conclusion The suitable methods are: (i) time-rate, (ii) piece-rate, (iii) piece-rate and (iv) time-rate. The choice depends on whether measured output fairly reflects work, and whether the main emphasis is quantity or careful quality.

Quick Tip to Solve: Use piece-rate for countable, standardised output; use time-rate when quality or factors beyond the worker's effort make output an unsuitable wage basis.

14. The directors of a company want to modernise its plants and machinery by making a public issue of shares. They wish to approach stock exchange, while the finance manager prefers to approach a consultant for the new public issue of shares. Advise the directors whether to approach stock exchange or a consultant for new public issue of shares and why ? Also advise about the different methods which the company may adopt for the new public issue of shares. [4 marks]

Solution:

Concept:

- The primary market, or new issue market, deals in securities issued for the first time. It channels investors' savings directly to the company for purposes such as expansion and modernisation.
- A stock exchange is part of the secondary market, where investors buy and sell securities already issued. Trading there ordinarily transfers money between investors rather than raising fresh capital for the issuing company.

Step 1: Advise the directors to approach a new-issue consultant The finance manager's advice is appropriate. The company wants fresh money to "modernise its plants and machinery" through a "new public issue of shares". It should approach a competent new-issue consultant or merchant banker operating in the primary market. Such an intermediary can advise on the issue, its pricing and

procedure and help arrange its management. Approaching a stock exchange alone will not raise this new capital: its central function is to provide a market for existing securities. Listing the shares may subsequently provide liquidity, but listing and issuing fresh shares are different activities.

Step 2: Explain the available methods of raising new share capital

- **Offer through prospectus:** The company invites the public to subscribe to its shares through a prospectus. Applications and subscription money are received and shares are allotted according to the applicable rules. This directly suits the proposed public issue.
- **Offer for sale:** The company sells securities to an intermediary or issuing house at an agreed price; the intermediary then offers them to the investing public.
- **Private placement:** Securities are allotted directly to selected institutional investors or other selected persons. This raises fresh capital without inviting subscriptions from the public at large.
- **Rights issue:** An existing company offers additional shares first to its existing shareholders, generally in proportion to their present holdings. It is an alternative way of obtaining fresh share capital.
- **Electronic initial public offer:** A company can use an electronic stock-exchange system to receive subscriptions under the prescribed arrangements, with the issue manager and registered intermediaries. The exchange's electronic facility assists a primary issue; this is distinct from ordinary secondary-market trading.

Step 3: Conclusion The directors should accept the finance manager's recommendation and obtain primary-market advice from a new-issue consultant or merchant banker. For an invitation to the general public, an offer through prospectus is the direct route; offer for sale and electronic issue facilities are other routes, while private placement and rights issue are alternatives for fresh share capital.

Quick Tip to Solve: Ask who receives the money: a new issue finances the company, while an ordinary stock-exchange resale pays the selling investor.

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

Solution:

Concept:

- The Securities and Exchange Board of India protects investors' interests and promotes orderly functioning of the securities market. Its protective functions guard investors against deception and unfair practices.
- Protective functions should be distinguished from developmental activities, such as training intermediaries, and routine regulatory activities, such as their registration. The question requires four measures directly concerned with investor protection.

Step 1: State the functions that prevent unfair dealings

- **Prohibiting fraudulent and unfair trade practices:** SEBI checks practices such as price rigging, misleading statements and manipulation of securities trading. Artificially raising or depressing prices misleads investors about the real position of a security; preventing such practices protects

them from being induced into unfair transactions.

- **Controlling insider trading:** SEBI prohibits trading based on unpublished price-sensitive information. Directors, employees or other insiders should not use confidential information, unavailable to ordinary investors, to secure an unfair advantage in buying or selling the company's securities.

Step 2: State the functions that strengthen investor protection

- **Promoting fair practices and a code of conduct:** SEBI promotes standards of fair dealing in the securities market. A code of conduct for market participants helps prevent dishonest or improper conduct and encourages transparent dealings with investors, thereby improving confidence in the market.
- **Undertaking investor education:** SEBI educates investors about securities, investment risks, their rights and the precautions they should take. An informed investor is better able to assess an offer, recognise misleading claims and seek the appropriate remedy when a problem arises.

These are four distinct protective functions: the first two curb specific abuses, while the latter two improve the conduct of market participants and the ability of investors to protect their interests.

Step 3: Conclusion Four protective functions of SEBI are prohibiting fraudulent and unfair trade practices, controlling insider trading, promoting fair practices and a code of conduct, and undertaking investor education. Together they protect investors against market abuse and support informed participation.

Quick Tip to Solve: For protective functions, organise the answer around fraud, insider information, fair conduct and investor awareness; keep training and registration for other categories.

16. "Administration is a part of management." Explain the view. [5 marks]

Solution:

Concept:

- Under the view associated with E. F. L. Brech, management is the comprehensive process of planning and regulating the activities of an enterprise to achieve its objectives.
- Administration is the part of that process concerned with installing and carrying out procedures through which programmes are communicated and the progress of activities is regulated and checked against plans.

Step 1: Explain the wider scope of management **Comprehensive managerial process:** Management embraces the work of deciding objectives and policies, preparing plans, organising resources, directing employees and controlling performance. It covers both making decisions and ensuring their implementation. Thus, management is the wider function within which particular administrative arrangements operate.

Step 2: Identify the administrative part **Establishing procedures:** Administration provides the procedures needed to put managerial plans into operation. It sets up an orderly method for communicating programmes, reporting results and following up work. These arrangements make it possible for an organisation's decisions to be understood and carried out consistently.

Communicating programmes: Once management has decided the course of action, administrative

procedures transmit the programme to the people responsible for doing the work. Instructions, schedules and reporting arrangements connect the plan with day-to-day activities. Administration is therefore an instrument through which the broader managerial purpose is achieved.

Step 3: Explain regulation and checking of progress **Checking activities against plans:** Administration also provides the machinery for recording progress, obtaining reports and checking whether activities follow the established plan. Such information enables management to regulate operations and take corrective action when necessary.

Subordinate scope within management: These procedural, communication and checking functions are important, but they do not exhaust the whole work of management. For example, management may decide to increase output and allocate resources; administration establishes the production schedules and progress-reporting procedures used to carry that programme through. Since the latter work is one component of the former, administration is included within management.

Step 4: Conclusion In Brech's view, management is the wider process, while administration supplies the procedures for communicating programmes and regulating and checking progress against plans. Administration is consequently a part of management.

Quick Tip to Solve: For this view, remember Brech and the sequence: establish procedures, communicate programmes, and check progress against plans within the wider management process.

17. Explain, in brief, any five ways in which Indian managers are responding to changes in business environment. [5 marks]

Solution:

Concept:

- Changes in the business environment create opportunities and threats. Managers must adapt their decisions and operations to changing economic policies, competition, technology and customer expectations.
- Liberalisation and globalisation have increased competition and widened customer choice. Indian managers respond by making their enterprises more competitive and responsive rather than relying on protection.

Step 1: Explain responses concerning customers and product quality **1. Adopting a customer-oriented approach:** Managers give greater attention to customers' needs, preferences and satisfaction. They obtain feedback, improve after-sales service and adapt products to changing demand. As buyers can choose among more competing products, retaining satisfied customers becomes essential.

2. Improving quality and productivity: Indian enterprises strengthen quality control, reduce defects and improve the efficiency with which resources are used. Better quality helps their products compete with domestic and foreign brands, while higher productivity reduces unit costs and supports competitive prices.

Step 2: Explain responses concerning technology, capabilities and markets **3. Adopting modern technology:** Managers modernise production methods, introduce suitable equipment and use information technology in business operations. Updating technology helps enterprises improve speed,

consistency and cost efficiency and prevents their products or processes from becoming obsolete.

4. Developing human resources: Enterprises invest in employee training, skill development and managerial competence. Workers must learn to use new technology and maintain higher standards of quality and service. Managers also encourage participation and initiative so that employees can respond effectively to new competitive demands.

5. Expanding into international markets: Indian managers increasingly look beyond the domestic market by promoting exports and exploring business opportunities abroad. They adapt products to overseas requirements and improve their ability to compete internationally. This uses the opportunities opened by globalisation and broadens the enterprise's market base.

Step 3: Conclusion Five important responses are greater customer orientation, improved quality and productivity, adoption of modern technology, development of human resources and expansion into international markets. Together, they help Indian enterprises adjust to a more competitive and changing business environment.

Quick Tip to Solve: Link each response to an environmental pressure: greater choice calls for customer focus, competition for quality and efficiency, and globalisation for wider markets.

18. Explain briefly the relationship between 'planning' and 'controlling'. [5 marks]

Solution:

Concept:

- Planning determines objectives and decides in advance the course of action for achieving them; controlling measures actual performance against planned standards and initiates corrective action.
- The two functions are interdependent: plans supply the standards for control, while control supplies feedback for improving future plans.

Step 1: Explain why control requires planning **Planning provides the basis of control:** A manager can judge performance only against a predetermined objective or standard. For example, if the plan fixes a monthly sales target, controlling compares actual sales with that target. Without a plan there is no yardstick for identifying a deviation, so controlling would have no definite direction.

Planning precedes controlling: The objectives, policies, schedules and budgets selected during planning become the standards used in control. Thus planning is the first function in the management process, and control follows the execution of those plans.

Step 2: Explain why planning requires control **Controlling ensures that plans are implemented:** Preparing a plan does not itself secure results. Controlling checks progress, locates significant deviations and examines their causes. Corrective action, such as improving work methods or removing a resource shortage, keeps actual activities directed towards planned objectives. Planning without control therefore remains an exercise without assurance of achievement.

Control improves subsequent planning: Information about actual performance reveals whether targets were realistic and whether assumptions were sound. Managers use this feedback to revise a plan where necessary and to prepare better plans for the next period. Control completes one management cycle and provides the starting information for another.

Step 3: Connect their forward-looking and backward-looking aspects **Both connect past results with future action:** Planning looks ahead, but also uses the lessons of previous performance. Controlling looks back when it measures completed work, yet it is also forward-looking because its purpose is to prevent repetition of errors and improve future results. They are therefore complementary functions rather than isolated stages.

Step 4: Conclusion Planning and controlling are inseparable, mutually reinforcing functions. Planning establishes what should be achieved, and controlling checks achievement and provides corrective feedback. Effective management requires both: control gives practical effect to plans, and plans give meaning and direction to control.

Quick Tip to Solve: Link the answer in a cycle: plan and standards, actual performance, comparison, corrective action, and feedback into the next plan.

19. "Both under-capitalisation and over-capitalisation are evils, but under-capitalisation is a lesser evil." Do you agree with this statement ? Give reasons. [5 marks]

Solution:

Concept:

- Under-capitalisation is a financial condition in which a company's actual capitalisation is below the capitalisation warranted by its earning capacity. Its rate of earnings is consequently unusually high in comparison with similar companies.
- Over-capitalisation exists when the company's capitalisation exceeds what its earning capacity justifies. It cannot earn a fair return on the capital employed. These terms concern the relationship between capitalisation and earnings, rather than simply a temporary shortage or surplus of cash.

Step 1: State the judgement and recognise the disadvantages Yes, under-capitalisation is generally a lesser evil than over-capitalisation, although neither represents a desirable financial balance.

Under-capitalisation also creates difficulties: Exceptionally high profits and dividends can encourage speculation in the company's shares. Workers may demand higher wages, while customers may believe that the company is charging excessive prices. High profitability may also attract competitors. These pressures can disturb industrial relations, public confidence and the company's future earnings; therefore under-capitalisation should not be treated as harmless.

Step 2: Compare the earning position and security of investors **Stronger earning capacity:** An under-capitalised company earns a high return on its capital and normally has the capacity to reward investors. An over-capitalised company has inadequate earnings in relation to its capital, making it difficult to provide a reasonable dividend. The underlying earning weakness in the latter case is more serious than an imbalance caused by unusually high earnings.

Greater financial stability: Strong earnings generally make it easier for an under-capitalised company to meet interest and other obligations and retain funds for development. Over-capitalisation weakens creditworthiness and may create difficulty in meeting fixed financial commitments. A prolonged inability to earn enough can threaten the company's survival.

Step 3: Compare the wider effects and scope for correction **Less damage to shareholders and**

business confidence: In over-capitalisation, low dividends and declining share values can cause investor losses and discourage further investment. Attempts to preserve earnings by cutting necessary expenditure can further weaken the business. Under-capitalisation begins with a profitable concern, even though its high returns can produce the social and market pressures already noted.

Easier financial readjustment: Where justified by adequate accumulated reserves, an under-capitalised company can capitalise those reserves through a bonus issue, bringing its stated capital into a more reasonable relationship with earnings. Over-capitalisation may require a difficult capital reconstruction, reduction of capital or sustained improvement in earnings. A bonus issue does not itself create extra cash or profits; it corrects the capital structure.

Step 4: Conclusion The statement is justified in a comparative sense. Both conditions have adverse effects, but under-capitalisation is usually the lesser evil because it is associated with strong earning capacity and is relatively easier to correct. Over-capitalisation reflects insufficient earning power in relation to capital and poses a greater threat to investors and the continuity of the enterprise.

Quick Tip to Solve: Define both conditions through earning capacity first, then compare profitability, investor safety and ease of correction; do not confuse under-capitalisation with shortage of working capital.

20. Explain, in brief, any five factors that should be taken into consideration while determining the requirements of working capital for a business enterprise. [5 marks]

Solution:

Concept:

- Financial Management: working capital finances day-to-day operations, such as buying materials, paying wages and holding stock until sales proceeds are collected.
- The requirement depends on the amount of funds tied up in current assets and how quickly those funds return as cash. A longer operating cycle generally requires more working capital.

Step 1: Examine the nature and scale of operations

- **Nature of business:** A trading concern usually needs substantial stock for resale, whereas many service businesses carry little or no inventory. A manufacturing enterprise must finance raw materials, work in progress and finished goods. Consequently, businesses with more funds tied up in these current assets generally require more working capital.
- **Scale of operations:** A business operating on a large scale normally buys more materials, holds larger stocks and incurs higher wages and other operating expenses than a small business. It therefore needs a larger absolute amount of working capital, other conditions remaining the same.

Step 2: Assess the production period and credit arrangements

- **Production cycle:** This is the time between the acquisition of raw materials and the completion of finished products. A long production cycle locks funds in materials and work in progress for a longer period, increasing working capital requirements. A shorter cycle releases those funds sooner.
- **Credit allowed to customers:** When goods are sold on credit, cash is not received immediately, but operating expenses must still be paid. A longer collection period or a larger proportion of credit

sales increases funds tied up in debtors and therefore raises working capital needs. Cash sales or quicker collection reduce this need.

- **Credit available from suppliers:** Suppliers who allow payment after a period help finance the purchase of materials. More generous supplier credit reduces the enterprise's own working capital requirement. If purchases must be paid for immediately, the enterprise must provide more funds itself.

Step 3: Conclusion Five relevant factors are the nature of the business, scale of operations, production cycle, credit allowed to customers and credit available from suppliers. They should be considered together because each affects either the amount of funds committed to daily operations or the time before those funds are recovered.

Quick Tip to Solve: Trace cash from purchases through production and sales to collection: anything that delays its return increases the funding need, while supplier credit helps finance the interval.

21(a). Explain briefly any six features of planning. [6 marks]

Solution:

Concept:

- Principles and Functions of Management: planning means deciding in advance what is to be done, how it is to be done, when it is to be done and by whom.
- Planning provides a deliberate course of action for achieving organisational objectives. Its features explain why it guides managers at every level rather than being merely a prediction about the future.

Step 1: Explain how planning gives direction to management

- **Planning focuses on achieving objectives:** Every plan is prepared to accomplish a specific purpose. Managers first identify the desired results and then decide the activities and resources needed to obtain them. Objectives therefore provide the direction for planning and the basis for judging whether a proposed course of action is suitable.
- **Planning is a primary function of management:** Planning precedes organising, staffing, directing and controlling. Managers must know what they intend to achieve before they can arrange resources, assign duties or guide employees. Plans also supply the standards against which actual performance is subsequently controlled.
- **Planning is pervasive:** Planning is required at all levels of management and in every department. Top managers plan for the enterprise as a whole, while departmental and supervisory managers prepare plans for their own areas. The scope and time horizon differ, but the need to decide in advance remains common to all.

Step 2: Explain how planning prepares and adapts future action

- **Planning is continuous:** Plans are made for a specified period. When that period ends, new plans are required. Even during implementation, managers review progress and revise plans when circumstances change. Planning therefore continues throughout the life of the organisation rather than ending when the first plan is written.

- **Planning is futuristic:** Planning looks ahead and prepares the organisation for future situations. Managers use forecasts and assumptions about demand, competition and other conditions to decide present action. It does not eliminate uncertainty, but helps the enterprise prepare for likely opportunities and difficulties.
- **Planning involves decision-making:** Managers identify alternative ways of achieving an objective, compare their likely costs and benefits, and choose the most suitable course. For example, an enterprise may compare expanding its own production with buying from an outside supplier. This deliberate selection among alternatives is an essential feature of planning.

Step 3: Conclusion Six features of planning are its focus on objectives, primacy among managerial functions, pervasiveness, continuity, future orientation and involvement of decision-making. Together, these features make planning a purposeful process that guides action throughout the enterprise.

Quick Tip to Solve: Recall the six features through purpose, priority, reach, repetition, future and choice; explain what each means instead of listing headings alone.

OR

21(b). Explain, in brief, the meaning of 'Goals' and 'Objectives' as types of plans and give any four examples of each. [6 marks]

Solution:

Concept:

- Planning determines in advance what an organisation wants to achieve and how its activities will move towards that desired future position.
- Goals express broad desired ends, while objectives translate those ends into specific results that guide action and provide standards for evaluating performance.

Step 1: Explain goals as broad desired ends Goals are the broad, general results towards which the activities of an organisation are directed. They indicate its intended future position and give a common direction to the efforts of departments and employees. They are often expressed in general terms and usually have a wider and longer-term scope than the specific targets used in day-to-day planning. A goal tells management the kind of achievement it seeks; detailed objectives and other plans then help it work towards that achievement.

Step 2: Give four examples of goals

- **Survival:** To remain in business by earning enough revenue to meet costs and sustain operations.
- **Profitability:** To earn a satisfactory profit so that the enterprise can reward its owners and finance its activities.
- **Growth:** To expand the size and scale of the business over time.
- **Social responsibility:** To contribute to society through responsible business conduct, useful products and concern for the community.

These statements identify desired directions without fixing a particular numerical target and completion date.

Step 3: Explain objectives as specific planned results Objectives are the definite results that an organisation, department or individual aims to achieve within a specified period. They make the broad goals operational by stating clearly what is to be accomplished. Wherever possible, objectives should be stated in measurable terms, so that managers can allocate resources, coordinate activities and compare actual results with the intended result. Different departments may have their own objectives, but these should support the objectives of the organisation as a whole.

Step 4: Give four examples of objectives

- **Sales objective:** To increase annual sales revenue by 10 per cent during the next financial year.
- **Profit objective:** To earn a net profit of Rs 20 lakh in the coming financial year.
- **Production objective:** To produce 50,000 units of the product during the next quarter.
- **Quality objective:** To reduce the proportion of defective units from 4 per cent to 2 per cent within six months.

Each example specifies an intended result and a time period. They illustrate possible business targets rather than facts about a particular enterprise.

Step 5: Conclusion Goals provide broad direction, such as survival, profitability, growth and social responsibility. Objectives express specific results, such as the stated sales, profit, production and quality targets, through which that direction is converted into a practical plan.

Quick Tip to Solve: For this distinction, pair a broad end such as growth with a measurable, time-bound objective such as a 10 per cent sales increase in the next year.

22(a). What is 'functional structure' of organisation ? Explain any two advantages and any two disadvantages of this form of organisation. [6 marks]

Solution:

Concept:

- Organisational structure specifies how work is divided, grouped and coordinated, and establishes the authority relationships through which people carry it out.
- Functional structure groups similar activities according to business functions, allowing specialists to work under a manager responsible for that function.

Step 1: Define functional structure A functional structure is a form of organisation in which activities of a similar nature are grouped into separate functional departments. For example, all production activities are placed in the production department, sales and marketing activities in the marketing department, financial activities in the finance department, and personnel activities in the personnel department. Each department is headed by a functional manager, who is a specialist in that field and is responsible for the work of the department. The top management coordinates the different functions towards the enterprise's common objectives.

Step 2: Explain two advantages

- **Functional specialisation:** Employees repeatedly perform work related to their specialised function under an expert departmental head. They develop greater knowledge and skill in that field, and

specialist supervision improves the quality of decisions and the efficiency with which the work is performed. For example, trained finance personnel can concentrate on financial planning and control.

- **Economy of operations:** Similar activities and resources are brought together instead of being duplicated in different units. Common equipment, specialised staff and facilities can be used for the whole function. This promotes efficient utilisation of resources, permits economies of scale and helps reduce operating costs.

Step 3: Explain two disadvantages

- **Excessive emphasis on departmental interests:** A functional head may give greater importance to the targets of the department than to the objectives of the enterprise as a whole. For instance, production may favour long standardised runs to lower cost while marketing seeks frequent product changes. Such functional thinking can produce conflicts and obstruct overall organisational performance.
- **Difficulty in coordination:** Each function performs only a part of the total work, whereas the final result depends on several functions acting together. Departmental boundaries and different priorities may delay communication and decisions. Resolving disputes between functions often requires intervention by top management, increasing its coordinating burden and slowing the response to changing conditions.

Step 4: Conclusion Functional structure groups work by specialised functions. Its principal benefits include functional expertise and economy of operations; its limitations include narrow departmental interests and difficulty in coordinating the interdependent functions.

Quick Tip to Solve: Link each point to grouping by function: specialisation and shared resources give benefits, while separate departmental priorities create conflict and coordination problems.

OR

22(b). What is 'formal organisation' ? Distinguish between 'formal organisation' and 'informal organisation' on the basis of

(i) formation, (ii) stability, (iii) communication and (iv) flow of authority [6 marks]

Solution:

Concept:

- Formal organisation is the deliberately designed structure of jobs, responsibilities and authority established by management to achieve the objectives of the enterprise.
- Informal organisation is the network of personal and social relationships that arises spontaneously when people interact within the formal organisation. It exists alongside the official structure.

Step 1: Define formal organisation Formal organisation specifies who has to perform each task, who is responsible for its performance, and who reports to whom. Management consciously divides work, groups related activities and assigns authority to different positions. Thus, the relationships arise from official positions rather than from personal friendship. For example, a production supervisor's

authority to assign work to workers is part of the formal structure, irrespective of whether the people concerned are friends.

Step 2: Compare the four specified bases

Basis	Formal organisation	Informal organisation
Formation	It is deliberately created by management through the division of work and the assignment of duties, authority and responsibility.	It develops spontaneously out of interaction, friendship, common interests and social needs; management does not deliberately design it.
Stability	It is relatively stable because it rests on official positions, established rules and defined working relationships. It continues even when the occupants of positions change.	It is relatively less stable because relationships depend on the members' personal interests, feelings and interactions, which may change.
Communication	Communication follows the prescribed official channels and reporting relationships, such as communication between a superior and a subordinate.	Communication passes through the grapevine and personal contacts; it can move freely across departments and levels without following prescribed channels.
Flow of authority	Authority flows through the established chain of command, normally from a superior position to a subordinate position.	There is no prescribed hierarchy of official authority. Influence flows according to personal acceptance and leadership and may move in any direction.

Step 3: Conclusion Formal organisation is management's planned structure of official working relationships. Informal organisation grows naturally from social interaction. Their differences concern deliberate versus spontaneous formation, relative stability, official versus personal communication channels, and positional authority versus personal influence.

Quick Tip to Solve: Compare each basis across the same row: planned or spontaneous formation, positions or personal relationships, official channels or grapevine, and chain of command or personal influence.

23(a). Explain, in brief, the following methods of training the workers :

(i) Apprenticeship programme

(ii) Vestibule training

(iii) Job-rotation and

(iv) Internship training [6 marks]

Solution:

Concept:

- Training is the organised process of improving the knowledge and skills needed for a particular job. Its method should provide the practical experience required by the work.
- Apprenticeship, vestibule training, job-rotation and internship combine instruction and practice in different ways. They differ in the place of training, the supervision provided and the kind of experience obtained.

Step 1: Explain apprenticeship programme and vestibule training **(i) Apprenticeship programme:** Under this method, the trainee works for a prescribed period under the guidance of an experienced worker or master craftsperson. The apprentice learns the trade by observing and carrying out actual tasks under supervision; practical experience may be supplemented by theoretical instruction. It is especially suitable for skilled occupations such as those of electricians, plumbers and mechanics, where proficiency requires sustained practice. The apprentice gradually acquires the skill and confidence to perform the work independently.

(ii) Vestibule training: Workers are trained away from the actual production workplace in a separate training area equipped with machinery and tools similar to those used on the job. Special instructors explain and demonstrate operations, and trainees practise them in conditions resembling actual work. For example, a worker may learn to operate a machine in a training workshop before entering the factory floor. Training therefore takes place without interrupting normal production, while the trainee can concentrate on learning the required operations.

Step 2: Explain job-rotation and internship training **(iii) Job-rotation:** The trainee is shifted systematically from one job, assignment or department to another for specified periods. By actually performing different duties, the person learns the work of several positions and understands how their activities are connected. For example, a trainee may gain experience in purchasing, stores and production. Rotation broadens practical knowledge, develops versatility and helps the enterprise prepare employees who can handle different responsibilities rather than only one narrow task.

(iv) Internship training: This is a joint arrangement between an educational institution and a business enterprise under which students obtain practical work experience as part of their course. They receive theoretical education in the institution and spend a prescribed period working in an organisation under guidance. The work placement enables them to apply classroom knowledge to real situations, understand workplace requirements and acquire practical skills. Thus, internship bridges formal education and the actual performance of a job.

Step 3: Conclusion Apprenticeship teaches a skilled trade under an expert; vestibule training provides practice in a separate workplace resembling the real one; job-rotation gives experience of different jobs; and internship links institutional study with supervised practical work in an enterprise.

Quick Tip to Solve: Remember the distinctive feature of each method: expert guidance, a simulated workplace, movement across jobs, and an institution-enterprise work placement respectively.

OR

23(b). Differentiate between 'Training' and 'Development' on the basis of

(i) Purpose

(ii) Level of trainees involved

(iii) Scope of learning

(iv) Depth of knowledge imparted

(v) Initiative in learning and

(vi) Duration [6 marks]

Solution:

Concept:

- Training is a planned process of improving an employee's knowledge and skills for efficient performance of a particular job.
- Development is the broader process of improving an employee's overall abilities, judgement and potential for future responsibilities. Both promote learning, but their emphasis differs.

Step 1: Distinguish purpose, level and scope The first three bases show the immediate job orientation of training and the wider career orientation of development.

Basis	Training	Development
Purpose	Improves skills and competence for performing the present job effectively and removing specific performance deficiencies.	Builds overall competence and prepares the individual for future jobs and greater responsibilities.
Level of trainees involved	Generally emphasised for workers and other employees who need specific operational or technical skills.	Generally emphasised for managers and executives who need broader managerial abilities.
Scope of learning	Narrow and job-centred: learning relates to the tasks, methods and requirements of a particular job.	Broad and career-centred: learning covers the individual's growth beyond the immediate job.

Step 2: Distinguish depth, initiative and duration The remaining bases explain how the learning is pursued and how far it extends.

Basis	Training	Development
Depth of knowledge imparted	Provides specific practical or technical knowledge and proficiency needed to do the assigned work.	Provides deeper and more comprehensive understanding, including conceptual ability, judgement and the capacity to handle new situations.
Initiative in learning	Normally initiated and organised by the employer to meet identified job requirements.	Depends substantially on the individual's initiative and motivation for self-improvement, supported by the organisation.
Duration	Usually a short-term programme with a defined task or skill objective.	A continuing, long-term process throughout the individual's career.

Step 3: Conclusion Training equips an employee to perform a specific present job better, whereas development promotes overall growth and readiness for future responsibility. These are differences of emphasis: employees at different levels can benefit from both.

Quick Tip to Solve: Use the six bases in the question as the left column. Compare present-job skill with future-oriented overall growth consistently in the other two columns.

24(a). **'Advertising encourages sale of inferior and dubious products' and 'Advertising confuses rather than helps'. Do you agree ? Give reasons..** [6 marks]

Solution:

Concept:

- Advertising is a paid form of non-personal presentation and promotion of goods, services or ideas by an identified sponsor. It informs and persuades prospective buyers.
- Advertising is criticised for misleading buyers and creating confusion. These criticisms must be judged by distinguishing misuse of advertising from the legitimate communication function it performs.

Step 1: Examine the objection about inferior and dubious products **Why the criticism arises:** An advertiser may exaggerate benefits, suppress limitations or make false claims. Attractive presentation can induce a first purchase of an inferior product; advertisements of doubtful remedies, for example, may exploit a buyer's lack of technical knowledge. Thus the objection has force where advertising is deceptive.

Why it is not universally valid: Advertising itself does not determine product quality. It can publicise a good product as well as a poor one. A false promise may secure an initial sale, but the buyer's actual experience reveals poor quality and discourages repeat purchases. Dissatisfied buyers can also warn others, damaging the producer's reputation.

Reasoned position: I do not agree that encouraging inferior products is an inherent function of advertising. The abuse lies in dishonest claims. Truthful advertising, backed by the promised quality, helps buyers identify products suitable for their needs; misleading claims deserve control and consumer action.

Step 2: Examine the objection that advertising confuses buyers **Why the criticism arises:** Rival brands may each claim to be the best and repeat persuasive messages. A buyer may find it difficult to assess contradictory claims or distinguish a real product advantage from an attractive slogan. In this situation, advertising can create confusion rather than settle the choice.

How advertising can help: It also tells buyers about available products, features, uses, prices, improvements and places of availability. Such information brings alternatives to the consumer's notice and enables comparison. Without it, a buyer may remain unaware of a better or more suitable product.

Reasoned position: I do not agree with a blanket rejection of advertising. Buyers should compare factual claims with their needs, labels, experience and reliable information instead of accepting every superlative. Confusion results mainly from excessive or misleading persuasion, while informative advertising assists a considered purchase.

Step 3: Conclusion Both objections identify possible abuses, but neither justifies condemning all advertising. Deceptive advertisements may promote inferior goods and conflicting claims may confuse buyers; truthful, informative advertisements help consumers compare alternatives, and sustained sales ultimately depend on satisfactory product quality.

Quick Tip to Solve: For each criticism, explain why it arises and then give the qualification. Separate misleading claims from informative advertising, and link repeat purchases to actual quality.

OR

24(b). Explain, in brief, the factors on which the choice of channels of distribution depend. [6 marks]

Solution:

Concept:

- A channel of distribution is the route through which goods move from the producer to the final consumer. A direct channel has no intermediary; indirect channels use agents, wholesalers or retailers.
- Channel selection balances market coverage, the cost of distribution and the producer's control over selling and customer service. The characteristics of the product, market and enterprise must fit the chosen route.

Step 1: Examine the product and the market

- **Product considerations:** Perishable goods require quick delivery through a short or direct channel to avoid spoilage. Bulky products also favour short channels because repeated handling and transport are expensive. Technically complex or costly industrial products often need direct selling, demonstration and after-sales service. Standardised, inexpensive consumer goods can generally pass through longer channels.
- **Market considerations:** A few large buyers concentrated in one area can be served directly. Numerous small buyers scattered over a wide territory usually require wholesalers and retailers. Consumers' buying habits also matter: frequent purchases in small quantities favour retail outlets near customers, whereas large institutional orders favour direct contact.

Step 2: Assess the company and competing distribution practices

- **Company considerations:** A financially strong company can maintain its own sales force, warehouses and outlets. A company with limited funds or selling experience may depend on intermediaries. A producer seeking close control over prices, presentation and customer relations favours a shorter channel; one seeking rapid expansion may use established dealers.
- **Competitive considerations:** The channels used by competitors indicate where customers expect to find the product. A firm may adopt similar channels to remain accessible, or deliberately choose a different route when it can provide better service or reach an unserved market. The decision should suit its competitive strategy rather than merely copy rivals.

Step 3: Compare channel services and environmental conditions

- **Intermediary considerations:** Suitable intermediaries must be available and willing to handle the product. Their financial standing, reputation, selling ability, storage facilities, market coverage and willingness to provide service affect selection. Their commissions and margins must be weighed against the services and sales they generate.
- **Environmental considerations:** Economic conditions and legal restrictions influence the route. During depressed demand, firms may prefer economical channels to keep distribution costs and selling prices low. Government rules governing particular products or restrictive distribution practices must be obeyed. The firm must therefore choose a channel that is both commercially workable and legally permissible.

Step 4: Conclusion The choice of distribution channel depends on product, market, company,

competitive, intermediary and environmental considerations. The best channel makes the product available to the intended buyers at a reasonable cost while providing the desired service and control.

Quick Tip to Solve: Organise channel-selection factors around six headings: product, market, company, competition, intermediaries and environment; explain how each makes the channel shorter or longer.

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

(i) The Right to be informed

(ii) The Right to choose and

(iii) The Right to healthy environment [6 marks]

Solution:

Concept:

- Consumer rights protect buyers against exploitation and enable them to make informed choices. They impose corresponding responsibilities on producers and sellers to disclose facts, permit fair choice and avoid harm.
- The rights asked here concern reliable product information, access to alternatives and an environment conducive to a healthy life. Each right has a distinct purpose; environmental protection extends beyond the immediate act of purchase.

Step 1: Explain the right to be informed **(i) The Right to be informed:** A consumer has the right to receive complete and accurate information about the quality, quantity, purity, potency, standard and price of goods or services before buying them. Material facts must not be concealed, and advertising and labels must not make misleading claims.

This enables the buyer to compare alternatives, judge value for money and use the product safely. Relevant information includes ingredients, net weight, manufacturing and expiry dates where applicable, maximum retail price, directions for use and warnings. For example, a packaged food label should enable the consumer to identify its contents and suitability instead of relying solely on an attractive advertisement.

Step 2: Explain the right to choose **(ii) The Right to choose:** A consumer has the right to access a variety of goods and services at competitive prices and to select the alternative that best meets personal needs, preferences and purchasing power. The seller should not compel the buyer to accept an unwanted product, brand or service as a condition for obtaining the desired one.

Meaningful choice requires fair competition and freedom from coercive selling. A shopkeeper should allow a buyer to compare available brands and buy the preferred brand rather than force an unwanted substitute. Where alternatives are inherently limited, the consumer's interest in satisfactory quality and service at a fair price still deserves protection.

Step 3: Explain the right to a healthy environment **(iii) The Right to healthy environment:** Consumers have the right to live and work in surroundings that do not threaten their health or well-being. The environment should support a safe and dignified life for present and future generations. This includes protection against pollution of air, water and land arising from production, consumption and disposal of products.

Businesses should therefore control harmful emissions, treat effluents, dispose of waste responsibly and avoid practices that damage ecological balance. For example, a factory must not pollute a community's drinking-water source merely to reduce its operating costs. This right concerns the wider conditions of life, whereas product-safety protection concerns hazards directly associated with particular goods and services.

Step 4: Conclusion The right to be informed supplies the facts needed for sound purchases; the right to choose preserves freedom to select among suitable alternatives; and the right to a healthy environment protects the surroundings necessary for consumers' health and well-being, including that of future generations.

Quick Tip to Solve: Link each right to its central protection: information means disclosure, choice means freedom among alternatives, and healthy environment means pollution-free and sustainable surroundings.

OR

25(b). Giving any six points, explain the importance of consumer protection in India. [6 marks]

Solution:

Concept:

- Consumer protection means safeguarding consumers against unfair trade practices and securing their rights through education, organisation and effective redressal.
- Its importance in India can be explained from both the consumer's position in the market and the obligations and long-term interests of business.

Step 1: Explain why consumers need protection

- **Consumer ignorance:** Many consumers do not know their rights, the standards a product should satisfy or the remedies available when they suffer a loss. Consumer education makes them aware of these matters and helps them make informed purchases and seek redressal instead of accepting unfair treatment.
- **Unorganised consumers:** An individual buyer generally has limited bargaining power and may find it difficult to pursue a complaint against a large seller. Consumer protection encourages consumer associations and voluntary organisations to unite buyers, represent their interests and assist them in obtaining relief.
- **Widespread exploitation:** Consumers may face adulteration, defective or unsafe goods, misleading advertisements, short weights and overcharging. Protection is needed to check these practices, hold sellers accountable and ensure that buyers receive the quality, quantity and value promised to them.

Step 2: Explain why responsible business must support protection

- **Long-term interest of business:** A business survives by satisfying its customers. Fair dealing and prompt settlement of genuine complaints build trust, goodwill and repeat purchases. Exploiting buyers may yield a short-term gain but damages reputation and future demand; protection therefore

supports durable business success.

- **Social responsibility:** Business operates within society and uses its resources. Consumers are an important group to whom it owes responsibility. Supplying safe goods of the stated quality at fair prices and providing accurate information are ways of fulfilling that responsibility rather than treating profit as the only objective.
- **Moral justification:** It is ethically wrong to deceive buyers, sell adulterated goods or use false claims to induce purchases. Consumer protection promotes honesty and fair treatment in exchange. Business should respect consumers' legitimate interests because doing so is right, even where a buyer lacks the knowledge or power to challenge the seller.

Step 3: Conclusion Consumer protection is important in India because consumers may be ignorant, unorganised and exposed to exploitation, while businesses have long-term commercial, social and moral reasons to safeguard them. These six considerations make fair information, safe products and effective complaint redressal essential.

Quick Tip to Solve: Organise the six points into two groups: three explain consumers' vulnerability, and three explain why business should protect their interests. Explain the consequence of each point rather than listing headings alone.