CBSE Class 12 Business Studies Question Paper 2004 with Solution PDF-Set 66/1/3

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

(a) objective and

(b) process [2 marks]

Solution:

Concept:

- Marketing begins with identifying customer needs and coordinates business activities to satisfy them profitably.
- Selling concentrates on disposing of the goods already produced. Thus its starting point and its means of earning profit differ from marketing.

Step 1: Identify the two bases of comparison The question asks specifically for objective and process. Compare the same basis for both concepts rather than listing unrelated features. Marketing treats customer satisfaction as the route to profit; selling stresses the transfer of the existing product to the buyer.

Step 2: Set out the differences

Basis	Marketing	Selling
Objective	Earn profits through customer satisfaction.	Earn profits by maximising sales volume.
Process	An integrated process involving product planning, pricing, promotion and distribution.	A narrower process involving sale and promotion to persuade customers to buy the product.

Step 3: Conclusion Marketing coordinates activities around customer needs, whereas selling concentrates on increasing sales of the product already available.

Quick Tip to Solve: For this comparison, link marketing with customer satisfaction and integrated effort, and selling with sales volume and persuasion.

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

Solution:

Concept:

- Supervision is an element of directing concerned with overseeing the work of subordinates and guiding their efforts.
- It involves direct personal contact between a supervisor and workers, helping organisational instructions become effective action.

Step 1: State the meaning Supervision means overseeing what subordinates are doing and ensuring that their work is performed according to instructions and established standards. The supervisor remains in close contact with workers while they carry out their assigned duties.

Step 2: Explain the guidance involved A supervisor explains how the work should be done, gives necessary instructions, observes performance and helps employees resolve difficulties. For example, if a worker is unsure how to operate a machine, the supervisor provides guidance and checks that the

correct method is followed. This combines observation with assistance rather than mere fault-finding.

Step 3: Conclusion Thus, supervision is the process of overseeing and guiding subordinates at work so that assigned activities are carried out properly.

Quick Tip to Solve: Include both parts of supervision: watching the work and helping the worker perform it correctly.

3. What is 'marketing management' ? [2 marks]

Solution:

Concept:

- Marketing management applies managerial decisions to the marketing activities of an enterprise.
- It focuses on selecting target customers and creating, delivering and communicating superior customer value to satisfy their needs.

Step 1: Define marketing management Marketing management is the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer value. It manages the relationship between the business and the customers it seeks to serve.

Step 2: Explain the definition Choosing a target market identifies the group of customers whose needs the business will meet. Getting customers means attracting buyers; keeping them means ensuring continued satisfaction; and growing customers means increasing the value and extent of business with them. Decisions about the product, price, promotion and distribution are coordinated to provide the value promised to these customers.

Step 3: Conclusion Marketing management therefore directs marketing efforts towards attracting and retaining target customers by satisfying their needs through superior value.

Quick Tip to Solve: Remember the sequence: choose the target market, then get, keep and grow customers by offering superior value.

4. Explain, in brief,'management' as an activity. [2 marks]

Solution:

Concept:

- As an activity, management means the work performed by managers to achieve the objectives of an organisation.
- This work coordinates human and other resources through interrelated functions such as planning, organising, staffing, directing and controlling.

Step 1: Explain management as doing managerial work Management as an activity refers to the activities managers perform to get work done through and with other people. It is purposeful work: managers make decisions, communicate instructions and coordinate efforts so that individual actions

contribute to organisational goals.

Step 2: Relate the activity to its functions A manager plans what is to be achieved, organises resources and responsibilities, appoints suitable people, directs their efforts and controls performance by comparing results with plans. For example, a production manager arranges workers and materials, guides production and checks output. These are connected activities undertaken to use resources efficiently and achieve the desired results effectively.

Step 3: Conclusion Management as an activity is the coordinated performance of managerial functions to accomplish organisational objectives through people and other resources.

Quick Tip to Solve: When asked about management as an activity, explain what managers do; naming a group of managers alone does not answer it.

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

Solution:

Concept:

- The economic environment includes factors such as income, interest rates, inflation and economic policies that affect business operations.
- A change in an economic factor influences demand, costs or investment decisions, so a business must adjust its actions accordingly.

Step 1: Explain the effect of a change in income **Rise in disposable income:** When consumers have more income available after taxes, their purchasing power increases. Demand for goods such as cars and household appliances may rise. Producers may respond by increasing output or expanding capacity to serve the higher demand.

Step 2: Explain the effect of a change in interest rates **Increase in interest rates:** A rise in lending rates makes borrowing more expensive for business organisations. A firm may postpone a proposed expansion or reduce its reliance on borrowed funds because the cost of financing the investment has increased. Demand for goods bought on credit may also weaken.

Step 3: Conclusion Two examples are increased demand following a rise in consumers' disposable income and postponement of business expansion following an increase in borrowing rates.

Quick Tip to Solve: Use a clear cause-and-effect pair for each example: identify the economic change, then state the business response.

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

Solution:

Concept:

- Price is the amount a customer pays for a product. It must be determined with reference to the firm's costs and the conditions in the market.
- Three important considerations are product cost, the utility and demand for the product, and the extent of competition in the market.

Step 1: Examine the cost of the product **Product cost:** The firm considers the costs of producing, distributing and selling its product. In the long run, the price should recover the total cost and provide a reasonable profit if the firm is to remain viable. Costs therefore provide a reference point for the minimum sustainable price; a price cannot be fixed merely by adding an arbitrary profit without considering the market.

Step 2: Examine demand and competition **Utility and demand:** The benefit the buyer perceives and the amount buyers are willing to purchase influence the price. Strong demand and greater perceived utility may permit a higher price, whereas price-sensitive demand restricts the scope for raising it. Buyers must regard the product as worth the amount charged.

Extent of competition: The firm studies competitors' prices, product quality and likely reactions. Where close substitutes are available, an unduly high price can divert customers to rivals. A firm with a distinctive product has greater freedom, but must still consider competing offers.

Step 3: Conclusion Product cost, utility and demand, and the extent of competition must be considered together when fixing the price of a product.

Quick Tip to Solve: Remember the three viewpoints: the seller's cost, the buyer's willingness to pay, and the rival's offer.

7. 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 offered to encourage customers to try a product or buy more of it.
- These incentives supplement advertising and personal selling by providing an immediate reason to purchase.

Step 1: Explain monetary incentives **Rebate:** A product is offered at a special reduced price for a limited period, often to clear excess stock. The temporary saving attracts customers who might otherwise postpone the purchase. For example, a manufacturer may announce a reduction on a particular model during a clearance sale.

Discount: The seller offers a specified percentage reduction from the listed price. This lowers the customer's immediate outlay and can encourage additional purchases. For example, a shop may offer

a stated percentage off its listed prices during a promotional period.

Step 2: Explain an incentive to try the product **Sampling:** Small quantities of the product are distributed free so that potential customers can test it before committing money to a purchase. This is particularly useful when introducing a new consumer product, such as a small sachet of shampoo. By reducing the uncertainty involved in trying an unfamiliar product, sampling can encourage trial and subsequent purchase of the normal pack. The free sample is a temporary promotional device, rather than the normal selling arrangement.

Step 3: Conclusion Rebate, discount and sampling are three sales-promotion techniques that attract customers through an immediate saving or an opportunity to try the product.

Quick Tip to Solve: For each technique, state the incentive and explain how that incentive encourages a customer to buy.

8. Explain the meaning of management principles and state how are they derived at. [3 marks]

Solution:

Concept:

- Management principles are broad and general guidelines for managerial decision-making and behaviour.
- They are developed through observation, analysis and experimentation in actual management situations; their application takes account of the circumstances.

Step 1: Explain what management principles mean **Meaning:** Management principles guide managers in deciding how to organise work, direct people and use resources effectively. They express general relationships between managerial actions and their likely results. For example, unity of command suggests that an employee should receive orders from one superior to avoid conflicting directions. Such principles are guides requiring judgement, rather than rigid rules that yield an identical result in every organisation.

Step 2: Explain how the principles are derived **Observation and analysis:** Management thinkers and practitioners observe managers at work in different organisations. They compare experiences, identify recurring problems and analyse the effects of different practices. Repeated observations help them formulate a general guideline.

Experimentation: A proposed practice is also tried in actual working conditions and its consequences are examined. For instance, a change in the method of work can be tested and its effect on efficiency observed. Conclusions supported by experience and experiments become principles, and further experience can refine them.

Step 3: Conclusion Management principles are general guidelines for decisions and conduct, derived from systematic observation, analysis of experience and experimentation in managerial situations.

Quick Tip to Solve: Separate the two demands: define a principle first, then explain the observation and experimentation that produce it.

9. "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 and guiding their efforts so that tasks are carried out according to the organisation's plans.
- The supervisor is the first-line manager who maintains direct contact with workers and links them with higher management.

Step 1: State the position and explain the communication link I do not agree that the post of supervisor should be abolished. Direct contact with workers makes this level necessary for effective implementation of plans.

Link between workers and management: The supervisor communicates management's instructions to workers and conveys workers' difficulties, suggestions and grievances to management. This two-way communication helps higher managers understand conditions at the workplace and helps employees understand what is expected of them.

Step 2: Explain guidance and workplace relationships **Guidance and improvement of performance:** The supervisor observes work as it is done, explains the correct methods and helps employees overcome difficulties. Timely guidance and on-the-job instruction reduce mistakes, wastage and delays, helping workers achieve the required quality and output.

Good relations and motivation: Through regular personal contact, the supervisor understands workers' problems, listens to grievances and encourages cooperation. Fair treatment, support and recognition build morale and reduce conflict. Removing this immediate source of guidance and support could weaken coordination and employees' willingness to work effectively.

Step 3: Conclusion The post should be retained because the supervisor links workers with management, guides their performance and maintains cooperative, motivated working relationships.

Quick Tip to Solve: Begin with a clear disagreement, then explain three distinct contributions made by the first-line supervisor.

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

Solution:

Concept:

- Effective communication occurs when the receiver understands the message in the sense intended by the sender. A barrier interferes with transmitting, understanding or accepting that message.
- Common barriers may arise from language and meaning, the mental state of the participants, organisational arrangements or personal attitudes. The question requires six barriers, rather than measures to overcome them.

Step 1: Enumerate barriers affecting meaning and understanding **1. Badly expressed message:** Unclear language, inappropriate words or an incomplete message prevent the receiver from under-

standing the sender's meaning.

2. Symbols with different meanings: A word or symbol can mean different things to different people. Unless the intended meaning is shared, the receiver may interpret the message incorrectly.

3. Faulty translation: When a message is translated from one language into another, an inaccurate translation can change or obscure the original meaning.

Step 2: Enumerate barriers affecting attention and transmission **4. Lack of attention:** A preoccupied or inattentive receiver may miss important parts of a message even when the sender expresses it clearly.

5. Loss by transmission and poor retention: As a message passes through several people, parts may be omitted or distorted; receivers may also fail to remember all the information.

6. Distrust: When the sender and receiver do not trust one another, the receiver may doubt the message or attach an unintended meaning to it, reducing its effectiveness.

Step 3: Conclusion Six common barriers are badly expressed messages, symbols with different meanings, faulty translation, lack of attention, loss by transmission and poor retention, and distrust.

Quick Tip to Solve: For an enumeration question, number six distinct barriers and add a brief identifying phrase; do not replace the requested barriers with remedies.

11. 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 with securities issued for the first time. It channels investors' savings to a company for purposes such as expansion and modernisation.
- The secondary market, including the stock exchange, provides trading facilities for existing securities. Buying an existing share transfers ownership between investors and does not itself provide fresh capital to the issuing company.

Step 1: Advise the directors to use the new issue market The directors should follow the finance manager's advice and approach a consultant or merchant banker dealing with new issues. The case states that the directors want to 'modernise its plants and machinery by making a public issue of shares'. These words show that the company needs fresh funds through a new share issue, so the proposed transaction belongs to the primary market.

A consultant can advise on organising and managing the issue. A stock exchange principally facilitates purchase and sale of securities already issued; approaching it to trade existing shares will not raise fresh share capital for the company. Listing on a stock exchange may follow the issue, but listing and raising funds through a new issue are distinct activities.

Step 2: Explain the available methods of issuing new shares **1. Offer through prospectus:** The

company invites the public to subscribe by publishing a prospectus stating the relevant particulars of the issue. Applications and subscription money are received from investors. This is the direct public-issue route.

2. Offer for sale: The company sells securities to an intermediary or issuing house, which subsequently offers them to the investing public. Thus the public offer is made through the intermediary.

3. Private placement: Securities are allotted to selected investors, such as financial institutions or other identified subscribers, instead of being offered to the public generally. This can reduce the cost and procedural burden of raising funds.

4. Rights issue: An existing company offers further shares first to its existing equity shareholders in proportion to their holdings. They receive the opportunity to maintain their proportionate ownership.

5. Electronic initial public offer: A public issue may also use the electronic facilities of a stock exchange through the prescribed intermediary arrangements, allowing investors to apply electronically. The transaction remains a primary-market issue even though the exchange provides the electronic facility.

Step 3: Conclusion The company should obtain new-issue advice from a consultant or merchant banker and raise fresh capital in the primary market. A direct public issue uses a prospectus; other new-issue methods include offer for sale, private placement, rights issue and an electronic IPO, subject to the company's circumstances. Private placement and rights issues are alternatives to a general public offer.

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

12. 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:

- Time-rate wages are paid for the time spent on work, whereas piece-rate wages depend on the number of units produced.
- The appropriate wage system depends on the importance of quality, measurability of output, standardisation of work and the connection between a worker's effort and production.

Step 1: Select the system when quality is paramount **(i) Time-rate:** When quality is of supreme importance, payment should be based on time. Workers need not rush merely to increase the number of units and their earnings. They can devote the necessary care and attention to accurate, high-quality work. Proper supervision can maintain the required quality standard without creating an incentive to sacrifice it for greater quantity.

Step 2: Select the system when output is measurable **(ii) Piece-rate:** When units of output can be measured, wages can be calculated at a fixed rate for each acceptable unit produced. The employer can record the worker's production objectively, and the worker receives a direct reward for producing more. Thus, the measurable unit provides a practical basis for payment by results.

Step 3: Select the system for standardised work **(iii) Piece-rate:** A standardised job has sufficiently uniform operations and output for a fair rate per unit to be fixed. Comparable units require broadly similar effort, making the output of different workers comparable. Payment per unit therefore rewards efficiency and encourages higher productivity, subject to maintaining the prescribed quality.

Step 4: Select the system when effort and output are not clearly linked **(iv) Time-rate:** If output cannot be clearly attributed to the worker's own effort, piece-rate payment may unfairly penalise the worker for circumstances beyond their control. For example, production may depend on the pace of machinery or the contributions of a team. Paying for time worked is therefore the more appropriate basis in this situation.

Step 5: Conclusion Adopt time-rate in situations (i) and (iv), and piece-rate in situations (ii) and (iii). Time-rate protects careful work and suits an unclear effort-output link; piece-rate suits measurable, standardised production.

Quick Tip to Solve: Associate quality and an unclear effort-output link with time-rate; associate measurable, standardised units with piece-rate.

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

Solution:

Concept:

- The Securities and Exchange Board of India regulates the securities market by laying down rules and overseeing the institutions and intermediaries operating in it.
- Regulatory functions concern registration, rules, supervision and control. They can be distinguished from developmental activities such as training and protective activities such as preventing insider trading.

Step 1: State the rules governing market participants **1. Registration of intermediaries:** SEBI registers brokers, sub-brokers and other intermediaries operating in the securities market. This brings the participants within a formal regulatory framework and enables SEBI to oversee their operations. Such registration helps ensure that those providing market services meet the applicable requirements.

2. Regulation of stock brokers and related participants: SEBI regulates the business of stock brokers, sub-brokers, share-transfer agents, merchant bankers, underwriters and other intermediaries associated with the securities market. It lays down the rules governing their conduct and operations so that market transactions take place within an orderly framework.

Step 2: State the regulation of funds and market operations **3. Registration and regulation of investment schemes:** SEBI registers and regulates collective investment schemes, including mutual funds. Their activities are brought under prescribed requirements and supervision. This regulatory oversight establishes a framework for the institutions that collect and invest funds on behalf of

investors.

4. Regulation of takeovers: SEBI regulates substantial acquisition of shares and takeovers of companies. It prescribes and administers the rules under which acquisitions and changes in control take place. This ensures that such transactions follow the applicable procedures and disclosure requirements in the securities market.

Step 3: Conclusion Four regulatory functions of SEBI are registration of market intermediaries, regulation of their business, 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, select activities involving registration, rules and supervision; keep training and prevention of insider trading in their separate functional categories.

14. 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:

- Fayol's principle of unity of command states that each employee should receive orders from only one superior and be accountable to that superior.
- A clear reporting relationship prevents conflicting instructions and enables the superior to fix responsibility for the employee's work.

Step 1: Identify the principle violated **Unity of command:** Asking the same employee to receive orders from two superiors violates this principle. The employee then has two sources of command for the same work, so it becomes unclear whose instructions must take priority.

Step 2: Explain why a single superior is necessary **Clear authority and responsibility:** An employee should know the superior from whom instructions are to be received and to whom performance must be reported. If two superiors issue different orders, the employee may be unable to satisfy both. This creates confusion, weakens discipline, produces friction between superiors and makes responsibility for failure difficult to determine.

Step 3: Apply the principle to a suitable example **Example:** Suppose a sales assistant is ordered by the sales manager to give a customer a discount to secure an order, while the finance manager directly instructs the same assistant not to allow any discount. The assistant faces incompatible instructions. Under unity of command, the assistant should receive the decision through one designated reporting superior, such as the sales manager. The managers should coordinate their policies with each other rather than give conflicting direct orders to the assistant.

Step 4: Conclusion The violated principle is **unity of command**. One employee should have one reporting superior for receiving orders and accounting for performance; this avoids conflicting commands and preserves clear responsibility.

Quick Tip to Solve: Link "one employee, two bosses" to unity of command; "one plan for activities with one objective" refers to unity of direction.

15. "Authority can be delegated but responsibility cannot." Explain this statement, in brief. [4 marks]

Solution:

Concept:

- Delegation means entrusting work to a subordinate and granting sufficient authority to perform it. Authority is the right to make decisions, issue orders and use resources within specified limits.
- Responsibility is the obligation to perform an assigned duty. The subordinate becomes responsible to the delegating superior, but the superior's ultimate responsibility or accountability to his own superior remains.

Step 1: Explain the delegation of authority **Transfer of decision-making power:** A manager cannot personally perform every activity. The manager therefore assigns duties and gives the subordinate the authority necessary to carry them out, such as approving purchases within a limit. Without adequate authority, the subordinate cannot discharge the assigned duty effectively.

Step 2: Explain why ultimate responsibility remains **Continuing accountability:** Delegating authority does not relieve the manager of the obligation to ensure that the work is completed properly. The subordinate is responsible to the manager for the assigned task, while the manager remains answerable to the next higher authority for the overall result. Thus the statement does not mean that a subordinate has no responsibility; it means that the superior cannot escape ultimate responsibility by assigning the work to someone else.

Step 3: Illustrate the continuing obligation **Example and supervision:** If a production manager entrusts a supervisor with meeting a production target and authorises the allocation of workers, the supervisor must use that authority and report performance to the manager. However, if the target is missed, the production manager still has to explain the result to the general manager. The production manager must therefore guide the supervisor, monitor progress and take corrective action instead of treating delegation as a release from responsibility.

Step 4: Conclusion Authority may be delegated to enable a subordinate to act, but the superior's ultimate responsibility for the entrusted work cannot be passed off. Delegation creates the subordinate's responsibility while preserving the superior's accountability.

Quick Tip to Solve: Separate the subordinate's duty to perform from the delegating manager's continuing answerability for the final result.

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

Solution:

Concept:

- Business environment comprises external forces that affect business decisions and performance. Managers must adapt their plans and operations when these forces change.
- Liberalisation, privatisation and globalisation increased competition and widened customer choice in India. The managerial response therefore includes improvements in the product, production

methods and market orientation.

Step 1: Explain the responses concerning products and customers **1. Diversification:** Indian managers are expanding into new products, services and business activities. This reduces excessive dependence on one product or market and enables enterprises to use opportunities created by the changing environment.

2. Greater customer orientation: Managers pay closer attention to customers' needs, preferences and expectations. Market research, prompt service and grievance handling help the enterprise retain buyers who now have a wider choice of competing products.

Step 2: Explain the responses concerning competitiveness **3. Improved quality and higher standards:** Managers emphasise better product quality, reliability and service. Quality control and continuous improvement help Indian firms meet international standards and compete with domestic as well as foreign enterprises.

4. Adoption of improved technology: Enterprises modernise machinery and adopt more efficient production and information systems. Technological improvement raises productivity, reduces waste and cost, and makes it possible to offer better products at competitive prices.

5. Export orientation and international business: Managers increasingly explore overseas markets instead of restricting their attention to the domestic market. They adapt products to international requirements, strengthen export marketing and seek suitable foreign collaborations to gain access to technology and markets.

Step 3: Conclusion Thus, diversification, customer orientation, quality improvement, technological modernisation and an international outlook are five ways in which Indian managers respond to a changing business environment. Each response aims to match the enterprise's capabilities with new opportunities and competitive pressures.

Quick Tip to Solve: For each response, name the managerial action and explain how it helps the firm cope with competition, customer choice or a new market opportunity.

17. "Administration comes first, management follows it". Explain the view. [5 marks]

Solution:

Concept:

- The statement expresses the traditional distinction between administration and management: administration determines objectives and policies, while management carries those policies into effect.
- Under this view, administration is primarily a thinking and policy-making function; management is primarily the executive function that organises and directs work within the framework laid down by administration.

Step 1: Explain why administration comes first **Determination of objectives:** Administration decides the fundamental purposes of the enterprise and the results it seeks to achieve. These objectives supply a direction before detailed managerial action can begin.

Formulation of policies: Administration lays down broad policies and the general framework within

which the enterprise will operate. It settles major issues such as the field of activity and the broad approach to expansion, finance and service. Management needs this framework in order to choose consistent courses of action.

Step 2: Explain how management follows administration **Implementation of decisions:** Management translates broad policies into detailed plans, programmes and procedures. It decides the practical methods and schedules through which the approved objectives will be achieved.

Execution through people and resources: Managers organise work, assign duties, secure and use resources, direct employees and coordinate their efforts. They also control performance so that actual work conforms to the objectives and policies already determined.

Step 3: Illustrate the sequence and state its scope **Relationship between the functions:** For example, administration may decide that an enterprise should expand into a new market while maintaining a specified quality standard. Management then arranges production, staffing, distribution and supervision to implement that decision. Policy determination logically precedes its execution; this is the sense in which administration comes first.

The distinction is functional rather than an absolute separation of people. Senior executives generally devote more attention to administrative decisions, whereas operating managers devote more attention to execution. In practice, both functions overlap and may be performed by the same executive.

Step 4: Conclusion The view means that deciding what the organisation should achieve and laying down its broad policies precede deciding how those policies will be implemented. Administration provides the direction; management converts it into coordinated action and checks the results.

Quick Tip to Solve: Build the explanation around the sequence: objectives and policies first, followed by detailed planning and execution. Use one example to show the link.

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

Solution:

Concept:

- A dividend decision determines how much of a company's earnings is distributed to shareholders and how much is retained in the business. A long-term dividend policy should balance a dependable shareholder return with the company's financing needs.
- Profit makes dividend possible, but payment also requires cash. A sustainable policy therefore considers the level and stability of earnings, liquidity, growth requirements and shareholder preferences together.

Step 1: Examine earnings and their stability **1. Amount of earnings:** Dividends are paid out of current or accumulated earnings. A company with substantial distributable profits has greater capacity to pay dividends, whereas a company with low earnings must normally restrict distribution. The policy should not promise payments unsupported by profits.

2. Stability of earnings: A company with stable and predictable earnings can adopt a relatively high and regular dividend. A company whose earnings fluctuate should retain a larger proportion in good

years so that it can meet future needs and avoid frequent changes in its dividend rate.

Step 2: Assess liquidity, growth and shareholder needs **3. Cash-flow position:** A dividend involves an outflow of cash. Even a profitable company may have its funds tied up in inventories or debtors. It should declare dividends only after ensuring sufficient liquid funds for payment as well as its ordinary operating commitments.

4. Growth opportunities: A company planning expansion or undertaking profitable investment projects needs funds. Retaining earnings provides an internal source of finance, so greater growth requirements generally favour a lower payout. A company with fewer such opportunities can distribute more of its earnings.

5. Shareholders' preferences: Some shareholders depend on regular dividend income, while others prefer earnings to be retained for growth and a possible increase in share value. The company should consider the expectations of its shareholders when choosing the balance between dividends and retained profits.

Step 3: Conclusion Five relevant factors are the amount of earnings, stability of earnings, cash-flow position, growth opportunities and shareholders' preferences. Together they help the company choose a dividend policy that can be maintained while meeting both shareholder expectations and future business requirements.

Quick Tip to Solve: Separate earning capacity from cash availability: profits support a dividend, but cash is needed to pay it. Then link retention to future growth.

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

Solution:

Concept:

- Planning decides in advance what is to be achieved and how it will be achieved. Controlling measures actual performance against planned standards, identifies deviations and initiates corrective action.
- Planning and controlling are interdependent functions. Plans provide the standards for control, while control helps ensure that plans are implemented and supplies information for improving future plans.

Step 1: Explain how each function depends on the other **1. Planning provides the basis for controlling:** The objectives and targets established during planning become the standards against which actual results are compared. Without a plan, managers have no definite basis for judging whether performance is satisfactory. Planning is therefore a prerequisite for effective control.

2. Controlling ensures the implementation of plans: A plan by itself cannot ensure achievement. Control checks actual work, discovers departures from the plan and leads managers to take corrective action. Without controlling, managers would not know whether their plans were being carried out; planning would remain an exercise without an effective follow-up.

Step 2: Relate their directions and feedback **3. Both functions look ahead:** Planning selects future objectives and courses of action. Controlling also has a forward-looking purpose: corrective action

seeks to prevent the recurrence of deviations and improve future performance rather than merely record past mistakes.

4. Both functions use past experience: Controlling is backward-looking when it examines work already performed and compares actual results with standards. Planning also draws upon past experience and the information obtained through control when setting realistic future targets. Thus, neither function operates in isolation from earlier results.

5. Control creates feedback for renewed planning: Analysis of deviations may show that implementation needs correction or that a standard rests on an unrealistic assumption. Managers can use this information to revise plans and standards. For example, comparing actual sales with the sales target may lead to a better sales strategy or a more realistic subsequent target. Planning and controlling therefore form a continuous cycle.

Step 3: Conclusion Planning and controlling are inseparable and mutually reinforcing: planning sets the targets, controlling checks their achievement and corrects deviations, and the resulting feedback improves the next plan. Planning gives direction to control, while control makes planning effective.

Quick Tip to Solve: Build the relationship around a cycle: set targets, compare actual results, correct deviations and use the feedback to plan again.

20. "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:

- Capitalisation is judged in relation to the earning capacity of the business. Over-capitalisation exists when the capital employed is excessive compared with what normal earnings can justify.
- Under-capitalisation exists when earnings are unusually high in relation to the capital employed. It does not simply mean a temporary shortage of cash.
- Both conditions can harm stakeholders, but their effects on financial strength and the possibilities of correction differ.

Step 1: State the judgement and distinguish the conditions Yes, the statement is generally correct. Both conditions are undesirable departures from a sound capital structure, but under-capitalisation is the lesser evil. An over-capitalised company cannot earn a normal return on its excessive capital; an under-capitalised company earns a high return on a relatively small capital base. The comparison therefore concerns earning capacity relative to capital, rather than merely the amount of money in the bank.

Step 2: Explain why under-capitalisation is an evil

- **Employee dissatisfaction:** High profits and dividends may lead workers to demand higher wages and a larger share in prosperity. Refusal can produce industrial disputes.
- **Consumer resentment and competition:** Consumers may feel that high profits arise from excessive prices, while attractive returns encourage new competitors to enter the industry.
- **Speculation in shares:** High dividends may push market prices far above the shares' face value

and encourage speculative dealings, creating instability for investors.

Thus high profitability does not make under-capitalisation harmless; its effects on workers, consumers and the share market must be addressed.

Step 3: Give reasons why it is nevertheless the lesser evil

- **Stronger earning position:** Under-capitalisation reflects high earnings relative to capital. Over-capitalisation reflects inadequate earnings and weak returns, making it a more serious threat to continuing financial stability.
- **Better shareholder position:** An under-capitalised company can ordinarily pay satisfactory dividends and its shares command a high market value. Over-capitalisation depresses dividends and share prices, causing direct loss to shareholders.
- **Greater scope for internal finance:** Strong profits permit retention of earnings and the building of reserves for development. An over-capitalised concern has less scope to create such reserves and may struggle to raise fresh funds because investors lack confidence.
- **Less pressure on creditors:** A healthy earning position generally supports payment of interest and other obligations. Weak earnings under over-capitalisation increase the danger of financial distress and loss to creditors.
- **Easier correction:** An under-capitalised company can capitalise accumulated reserves through bonus shares, bringing nominal capital closer to its earning capacity. Over-capitalisation may require difficult reconstruction or reduction of capital and recognition of losses.

Step 4: Conclusion Both conditions should be corrected, but under-capitalisation is generally the lesser evil because it rests on strong earnings and offers greater scope for adjustment. Over-capitalisation weakens returns, investor confidence and financial stability. This judgement does not excuse exploitation of consumers or neglect of workers by a highly profitable company.

Quick Tip to Solve: Compare capital with earning capacity: too much capital for normal earnings is over-capitalisation; unusually high earnings on a small capital base indicate under-capitalisation.

21(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 help them obtain goods and services that meet their needs safely and fairly.
- Information and freedom of choice make a purchase meaningful: consumers must know what is offered and be able to select among available alternatives.
- Consumer welfare also includes a healthy environment, since production and consumption affect the quality of life of present and future generations.

Step 1: Explain the right to be informed

- **Meaning:** A consumer has the right to receive complete and correct information about the goods or services offered. This includes their quality, quantity, purity, potency, standard and price, wherever relevant, so that the buyer is protected against misleading trade practices.
- **Practical application:** Labels, packaging and other disclosures should enable the buyer to check details such as ingredients, net contents, date of manufacture, expiry date, maximum retail price, directions for use and necessary warnings. For a medicine, for example, the expiry date and dosage instructions help the consumer judge whether it can be used safely. Accurate information permits an informed purchase and prevents a seller from concealing important facts.

Step 2: Explain the right to choose

- **Meaning:** The consumer should have access, wherever possible, to a variety of goods and services at competitive prices and be free to select the product or service that best meets personal requirements and purchasing power.
- **Practical application:** A seller should not force an unwanted product, brand or additional service on the buyer as a condition of obtaining the desired product. For example, a buyer selecting a household appliance should be able to compare available brands, features, quality and prices before deciding. The right protects freedom of selection and discourages restrictive selling practices that take away that freedom.

Step 3: Explain the right to a healthy environment

- **Meaning:** Consumers have the right to live and work in an environment that does not threaten their health or well-being. The right extends beyond an individual purchase to clean air, clean water and surroundings protected from harmful pollution.
- **Practical application:** Businesses should prevent harmful emissions, treat effluents and dispose of waste responsibly instead of transferring the environmental costs of production to society. For example, a factory should not discharge untreated waste into water used by nearby residents. This right supports a decent quality of life for present consumers while protecting the needs of future generations.

Step 4: Conclusion The right to be informed ensures truthful product knowledge; the right to choose protects freedom to select suitable goods and services; and the right to a healthy environment protects the surroundings necessary for a safe and decent life. Together, these rights make consumer protection both a matter of fair purchases and of broader social welfare.

Quick Tip to Solve: Link the three rights to three distinct ideas: knowing the product, freely selecting it, and living in safe surroundings. Explain each separately with a relevant example.

OR

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

Solution:

Concept:

- Consumer protection means safeguarding buyers against unfair trade practices and ensuring that they can obtain safe goods, adequate information and an effective remedy.
- Its importance in India arises both from consumers' vulnerability in the market and from the responsibility of business to serve society fairly.

Step 1: Explain why consumers need organised protection **1. Consumer ignorance:** Many consumers do not know their rights, the standards applicable to a product or the remedies available when a seller cheats them. Consumer protection promotes awareness so that a buyer can check labels, insist on a bill and seek redress instead of accepting a loss silently.

2. Unorganised consumers: Individual buyers are numerous and scattered. A single buyer often lacks the resources and bargaining strength to challenge a large producer or trader. Consumer organisations and redressal machinery give such buyers a collective voice and a practical means of pursuing legitimate complaints.

3. Widespread exploitation: Consumers may face adulteration, defective products, misleading advertisements, false weights, overcharging and poor after-sales service. Protection discourages these practices and makes sellers answerable for the quality, quantity and price of what they supply. This is especially important when a buyer cannot judge hidden defects before purchase.

Step 2: Explain why protection is also important for business **4. Long-term interest of business:** A satisfied consumer is likely to buy again and recommend the product to others. Fair dealing and prompt settlement of complaints build goodwill and customer loyalty. Thus protecting consumers supports the survival and growth of a business rather than merely imposing an immediate cost on it.

5. Social responsibility and moral justification: Business uses society's resources and earns its income by meeting people's needs. It therefore has a responsibility to provide safe products, correct information and fair treatment. Knowingly exploiting a buyer is morally wrong even if the buyer is too weak or uninformed to object.

6. Avoidance of government intervention: When businesses voluntarily respect consumers' interests, there is less need for restrictive government action and close external control. Persistent unfair practices invite legal proceedings and stricter regulation. Responsible consumer care therefore helps preserve business freedom while protecting the public.

Step 3: Conclusion Consumer protection is important because it counters ignorance, lack of organisation and exploitation, while promoting the long-term interests, social responsibility and self-discipline of business. Together, these six points support a fairer market in which consumers can buy with confidence.

Quick Tip to Solve: Organise six reasons into two groups: consumers need awareness, organisation and protection from exploitation; businesses need goodwill, responsible conduct and freedom from avoidable intervention.

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

Solution:

Concept:

- Planning is 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 selecting a suitable course of action for achieving objectives.

Step 1: Explain the purpose and place of planning **1. Planning focuses on achieving objectives:** A plan is prepared for a specific purpose. Management first determines the results it wants and then decides the activities and resources needed to obtain them. For example, a plan to increase sales links production, promotion and distribution to a defined sales objective. Activities without a desired result do not provide the same clear direction.

2. Planning is the primary function of management: Planning lays the foundation for organising, staffing, directing and controlling. Managers can assign duties and arrange resources only after deciding what must be achieved. Similarly, the targets laid down in a plan become the standards against which actual performance is compared during control.

3. Planning is pervasive: It is necessary at every level of management and in every department. Top management prepares broad plans for the organisation, middle management translates them into departmental plans and supervisory management prepares operating schedules. Their scope differs, but all managers must plan the work for which they are responsible.

Step 2: Explain how planning proceeds over time **4. Planning is continuous:** Plans are usually prepared for a particular period. As that period ends, fresh plans are required; plans may also need revision when circumstances change. The process therefore continues through preparation, implementation, review and the framing of subsequent plans rather than ending with one written document.

5. Planning is futuristic: It looks ahead and anticipates future events. Managers forecast likely demand, availability of resources and changes in business conditions before choosing present action. Forecasts cannot remove uncertainty, but they enable the organisation to prepare for expected opportunities and difficulties instead of reacting without preparation.

6. Planning involves decision-making: Managers identify alternative ways of achieving an objective, compare their likely benefits and costs, and select the most suitable course. Choosing between producing in-house and buying from an outside supplier is an example. Where there is no choice of action, the element of selecting among alternatives is absent.

Step 3: Conclusion Six features of planning are its focus on objectives, its primary place among management functions, its pervasive nature, continuity, future orientation and involvement of decision-making. These features explain how planning gives direction to work throughout an organisation.

Quick Tip to Solve: Remember the six headings as purpose, priority, presence, continuity, future and choice; then explain each heading in terms of what a manager actually does.

OR

22(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 the ends an organisation wishes to achieve and the course of action for achieving them. Goals and objectives are plans that specify these desired ends.
- In the distinction used here, goals express broad desired results, while objectives translate those results into specific targets, preferably measurable and time-bound. The two are closely related and are sometimes used interchangeably.

Step 1: Explain goals and illustrate their broad direction **Meaning of goals:** Goals are the broad results or ends towards which the activities of an enterprise are directed. They show what the enterprise wishes to accomplish and guide the formulation of more detailed plans. They generally indicate direction without specifying every numerical target or deadline.

Four examples of goals are:

- **Profitability:** To earn a satisfactory profit so that the enterprise can continue its operations and develop its business.
- **Growth:** To expand the scale of business and increase its presence in the market.
- **Quality leadership:** To provide reliable, high-quality goods that satisfy customers.
- **Employee welfare:** To improve the well-being and development of employees through good working conditions and opportunities for progress.

Step 2: Explain objectives and state four specific targets **Meaning of objectives:** Objectives are definite results to be achieved through planned activities. They make broad goals operational by stating precisely what is to be achieved. A clearly stated objective can identify the amount of improvement and the period allowed, giving managers a basis for allocating resources and evaluating actual performance.

Four illustrative objectives, corresponding to the above goals, are:

- **Profit target:** To increase annual net profit by 10 per cent during the next financial year.
- **Growth target:** To open two additional sales outlets by the end of the coming financial year.
- **Quality target:** To reduce defective units from 5 per cent to 2 per cent of output within six months.
- **Employee-development target:** To provide at least twenty hours of job-related training to every production employee during the next year.

These figures are examples of how an enterprise could express its targets; they are not data supplied by the question. Each target makes the intended result sufficiently definite for subsequent comparison with achievement.

Step 3: Conclusion Goals state the broad ends of an enterprise; objectives express the definite results through which those ends are pursued. Profitability, growth, quality leadership and employee welfare are examples of goals, while the four quantified, time-bound targets above illustrate corresponding objectives.

Quick Tip to Solve: Pair each broad goal with a definite target: ask "how much?" and "by when?" to turn a general direction into an assessable objective.

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

Solution:

Concept:

- Organising groups related activities into departments and establishes authority relationships so that people can work towards organisational objectives.
- A functional structure groups jobs according to specialised functions such as production, marketing, finance and personnel. Its benefits arise from specialisation; its limitations arise when departments become too concerned with their own functions.

Step 1: Define the functional structure **Functional structure** is a form of organisational structure in which activities of a similar nature are grouped together into separate functional departments. All production activities, for example, are placed under a production manager, while marketing activities are placed under a marketing manager. These functional heads report to the top management. Thus, the basis of grouping is the function performed rather than the product or geographical area served.

Step 2: Explain two advantages

- **Functional specialisation:** Employees repeatedly perform tasks in their own field and work under managers with relevant expertise. Concentration on similar activities develops specialised knowledge and skill. A finance department, for example, can use trained finance personnel for budgeting and financial control, improving the quality and efficiency of the work.
- **Economy and efficient use of resources:** Similar activities are brought together instead of being duplicated in several separate units. Specialist staff, equipment and other facilities can serve the organisation through a common department. This promotes economies of scale and avoids unnecessary repetition of work, reducing operating costs.

Step 3: Explain two disadvantages

- **Difficulty in coordination:** Departments may give priority to their own functional targets rather than the overall interests of the enterprise. Production may favour long, standardised runs, while marketing may want frequent changes to meet customer preferences. Such conflicting priorities can cause interdepartmental disputes and require intervention by top management.
- **Limited development of general managers:** A person working continuously within one function gains deep knowledge of that speciality but may receive little exposure to other business activities. Such a narrow perspective can restrict understanding of the enterprise as a whole and make it harder to develop managers capable of taking overall responsibility for a business.

Step 4: Conclusion Functional structure groups similar activities into specialised departments. It promotes functional expertise and economy in resource use, but it may create coordination problems between departments and limit the development of managers with an overall business perspective.

Quick Tip to Solve: Link the answer to grouping by function: specialisation and shared resources explain the benefits; departmental priorities and narrow experience explain the limitations.

OR

23(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 planned structure of jobs, roles, authority and responsibility created by management to achieve organisational objectives.
- Informal organisation is the network of personal and social relationships that arises spontaneously as people interact within the formal organisation.

Step 1: Define formal organisation **Formal organisation:** It refers to the organisation structure designed by management to accomplish a particular task. It specifies the responsibilities assigned to different individuals, the authority accompanying those responsibilities and the relationships between jobs. Thus, each employee knows the work to be performed, the person to whom he or she must report and the persons who report to him or her. Its emphasis is on official positions and prescribed working relationships rather than personal friendships.

Step 2: Compare the two organisations on the specified bases The differences are as follows:

Basis	Formal organisation	Informal organisation
Formation	It is deliberately created by management through the assignment of duties and the establishment of authority-responsibility relationships.	It arises spontaneously from social interaction, friendship and common interests among employees; management does not deliberately create it.
Stability	It is relatively stable and continues according to the prescribed structure until management formally changes it.	It is relatively less stable because personal relationships, group membership and common interests may change.
Communication	Communication normally follows the prescribed official channels and reporting relationships, such as the scalar chain.	Communication follows informal personal contacts, commonly called the grapevine, and can move across official departmental and hierarchical boundaries.
Flow of authority	Authority flows through the official hierarchy, generally from superior to subordinate, and comes from the position held.	There is no formally prescribed flow of authority. Influence flows in different directions according to personal qualities, acceptance and the relationships among group members.

Step 3: Conclusion Formal organisation provides the officially designed framework for coordinated work. Informal organisation develops naturally within it: its formation is spontaneous, its relationships are less stable, its communication uses personal contacts and its influence does not follow a prescribed authority hierarchy.

Quick Tip to Solve: Compare the same basis across both columns: deliberate versus spontaneous formation, relative stability, official channels versus grapevine, and positional authority versus personal influence.

24(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 systematic process of increasing employees' knowledge and skills for performing a particular job effectively. The suitable method depends on the nature of the work and the skills to be acquired.
- Practical experience may be provided under an expert, in a simulated workplace, through successive job assignments or through an arrangement between an educational institution and a business organisation.

Step 1: Explain apprenticeship and vestibule training **(i) Apprenticeship programme:** Under this method, the trainee works under the guidance and supervision of an experienced master worker for a prescribed period. The trainee learns a skilled trade by observing the expert and practising the work. Practical training may be combined with classroom instruction to explain the underlying principles. It is particularly suitable for occupations requiring considerable skill and a relatively long period of supervised learning, such as electricians, plumbers and mechanics. The purpose is to develop competence in the trade before the trainee works independently.

(ii) Vestibule training: Employees learn their jobs on equipment similar to that used in the actual workplace, but in a separate training area. The essential features of the working environment are reproduced so that trainees acquire practical operating skills without interrupting regular production. They can practise under the instructor's supervision before handling the actual production equipment. It is useful when employees must learn to operate sophisticated machinery or when mistakes during learning could damage equipment or disrupt work.

Step 2: Explain job-rotation and internship training **(iii) Job-rotation:** The trainee is moved from one job or department to another for planned periods. At each assignment, the trainee learns the duties, methods and problems associated with that work. This gives wider experience than continuous training on a single job and helps the employee understand how different activities are related. It also develops versatility and enables the organisation to assess the trainee's abilities for different assignments.

(iv) Internship training: This method is a joint programme of an educational institution and a business organisation. Students receive theoretical knowledge at the institution and undertake supervised practical work in the organisation for a specified period. The workplace experience enables them to apply classroom learning to real situations and become familiar with professional practices. For example, students pursuing professional or technical courses may spend part of their course working in an appropriate business or other institution.

Step 3: Conclusion Apprenticeship develops trade skills under an experienced worker; vestibule training provides practice in a simulated workplace; job-rotation broadens experience through different jobs; and internship connects institutional study with supervised practical experience in an

organisation.

Quick Tip to Solve: Identify the distinctive feature of each method: master worker, simulated workplace, changing jobs, or institution-business cooperation. Explain how that feature helps the trainee learn.

OR

24(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 systematic process of increasing the knowledge and skills required to perform a particular job efficiently. Its immediate emphasis is better performance in the employee's present work.
- Development is the process of overall growth of employees, especially managerial personnel. It builds broader abilities, attitudes and judgement for future responsibilities as well as present effectiveness.

Step 1: Compare purpose, participants and scope The first three distinctions concern why learning is undertaken, whom it mainly serves and how widely it extends. The usual textbook comparison is as follows; training can also be given to managers, but its emphasis remains specific job skills.

Basis	Training	Development
(i) Purpose	Improves the employee's ability to perform a particular present job; it remedies deficiencies in current job performance.	Promotes overall personal and professional growth and prepares the employee to undertake greater or future responsibilities.
(ii) Level of trainees involved	Mainly associated with workers and other non-managerial or operative employees, who require specific working skills.	Mainly associated with managerial and executive personnel, who require broader abilities for decision-making and leadership.
(iii) Scope of learning	Has a narrow, job-centred scope: learning is concentrated on the tasks, methods and procedures of a particular job.	Has a wide, person-centred scope: learning extends beyond one job to the individual's overall capabilities and career growth.

Step 2: Compare depth, initiative and duration The remaining distinctions concern the kind of knowledge developed, the source of motivation and the time horizon of learning.

Basis	Training	Development
(iv) Depth of knowledge imparted	Provides task-specific technical knowledge and practical skills needed for efficient performance; the focus is on proficiency in doing the job.	Develops deeper and broader conceptual understanding, analytical ability, judgement and attitudes needed to handle complex managerial situations.
(v) Initiative in learning	Initiative is generally taken by the employer or management, which identifies a skill requirement and arranges a training programme.	Initiative largely comes from the individual seeking personal growth, though the organisation provides opportunities, guidance and support.
(vi) Duration	Usually short-term, with a definite programme directed towards an immediate skill or performance objective.	Long-term and continuing, extending through the individual's career as responsibilities and abilities grow.

Step 3: Conclusion Training equips employees to do a specific job better, whereas development promotes their overall growth and readiness for wider responsibilities. They are complementary: effective staffing needs both present job proficiency and continuing growth.

Quick Tip to Solve: Remember the comparison as job versus person: training improves present job skills; development broadens the person for future responsibility. Use the six bases in the question as the table's row headings.

25(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 an impersonal, paid form of communication by an identified sponsor. It informs and persuades prospective buyers about products, but it cannot by itself create lasting satisfaction with a defective product.
- The objections that advertising promotes inferior products and confuses buyers must be assessed separately. Misleading advertisements can be harmful; however, these abuses do not establish that advertising as a whole is undesirable.

Step 1: Examine the objection about inferior and dubious products **1. Recognise the possibility of abuse:** An advertisement may exaggerate qualities or make doubtful claims. Such a message can induce a consumer to try an inferior product, especially when the consumer has little prior information. To that extent, the objection draws attention to a real danger.

2. Distinguish first purchase from lasting sales: Advertising can persuade a customer to make an initial purchase, but repeat purchases depend on the product's quality and usefulness. Once actual experience reveals poor quality or false claims, the buyer is unlikely to purchase again and may warn others. Advertising cannot permanently turn an unsatisfactory product into a satisfactory one.

3. Locate responsibility correctly: Inferior goods and deceptive claims result from the conduct of unscrupulous producers and advertisers. They are abuses of advertising rather than its necessary result. Honest advertising helps buyers learn about useful products; therefore, it is not reasonable to condemn all advertising because some sellers misuse it.

Step 2: Examine the objection that advertising confuses buyers **4. Acknowledge conflicting claims:** Rival brands often claim superior performance. Numerous advertisements and exaggerated comparisons can make it difficult for an inexperienced buyer to identify the best alternative. Buyers should therefore examine claims rather than treat every slogan as an established fact.

5. Recognise the information provided: Advertising also brings different brands, features, uses, prices and availability to the consumer's attention. Without such communication, a buyer may not even know the alternatives. This information provides a starting point for comparison and can make a purchase decision more informed.

6. Assess advertising with other evidence: The buyer can compare the advertised features with personal requirements, check quality and price, and use experience or reliable product information before deciding. Thus, the presence of competing messages calls for careful evaluation; it does not mean that advertising necessarily confuses rather than helps.

Step 3: Conclusion I do not agree with either statement as a general condemnation of advertising. Misleading claims may promote an initial sale of an inferior product and competing claims may cause temporary confusion, but sustained sales require satisfactory quality. Truthful advertising provides useful information about alternatives and assists an informed buyer.

Quick Tip to Solve: For each objection, first acknowledge the possible misuse and then explain the limitation of that criticism. Distinguish an advertisement's ability to obtain a trial purchase from the product quality needed for repeat purchases.

OR

25(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 ultimate consumer. It may be direct or may involve intermediaries such as wholesalers and retailers.
- Channel selection aims to make the product available at the right place and time, with suitable selling services and an economical distribution cost. The appropriate channel depends on the product, the firm and its market.

Step 1: Examine the product and the producer

- **Product-related factors:** Perishable goods, such as fresh vegetables, generally require a short channel so that delay and spoilage are minimised. Bulky products also favour shorter channels to reduce repeated handling and transport costs. Technically complex or expensive industrial equipment often requires direct selling because the buyer needs expert advice, installation and after-sales service. Standardised, low-priced consumer goods can be distributed through wholesalers and retailers to reach many buyers.
- **Company characteristics:** A financially strong producer can maintain its own sales force, warehouses and retail outlets, whereas a firm with limited resources generally relies on intermediaries. The firm's desired control also matters: direct or short channels provide greater control over prices, customer service and presentation; longer channels involve sharing these decisions with independent middlemen.

Step 2: Assess buyers and competing channels

- **Market-related factors:** A small number of buyers, especially when concentrated in one area and purchasing large quantities, can be served directly. Numerous buyers scattered over a wide area and buying small quantities usually need a network of intermediaries. Customers' shopping habits, desired convenience and willingness to wait also influence the channel selected.
- **Competitive factors:** The firm studies the channels used by competitors and the service those channels provide. It may use similar outlets to obtain comparable market access, or choose a different channel when that offers a useful advantage. The choice should suit the firm's marketing strategy rather than copy competitors automatically.

Step 3: Compare channel efficiency and external conditions

- **Middlemen and channel considerations:** Suitable intermediaries must be available and willing to handle the product. Their experience, reputation, coverage, storage, credit and selling services are assessed. The producer compares alternative channels in terms of total cost, expected sales and the level of service provided; the channel with the lowest commission alone need not be the most effective.
- **Environmental factors:** Economic conditions and legal restrictions affect the decision. During depressed economic conditions, producers may prefer economical and shorter channels to reduce the final price. Applicable laws and government policies must also be respected when appointing dealers or making distribution arrangements.

Step 4: Conclusion The choice of distribution channel depends on product characteristics, company resources and control, market characteristics, competition, the suitability and economy of intermediaries, and the economic and legal environment. These factors must be considered together to secure efficient availability and customer service.

Quick Tip to Solve: Organise the answer around the product, producer, purchasers, competitors, middlemen and environment. For each factor, explain how it favours a shorter or longer channel.