CBSE Class 12 Business Studies Question Paper 2004 with Solution PDF-Set 66/2/1

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 an activity. [2 marks]

Solution:

Concept:

- Management as an activity means the work performed by managers to achieve organisational objectives through and with other people.
- It coordinates human, physical and financial resources so that individual efforts contribute to a common purpose.

Step 1: Identify the managerial activity Management is not merely the title held by a manager. It is the purposeful activity of getting work done through and with people. A manager decides what is to be achieved and brings together the people and resources needed to achieve it.

Step 2: Explain how the activity operates This activity involves planning, organising, staffing, directing and controlling. For example, a production manager plans output, assigns work and checks performance. These interrelated activities coordinate employees' efforts and use resources efficiently, while ensuring that the desired organisational results are achieved effectively.

Step 3: Conclusion Management as an activity is the coordinated performance of managerial functions to achieve organisational objectives through and with people, using available resources efficiently and effectively.

Quick Tip to Solve: Link the meaning to what a manager does: coordinate people and resources through the managerial functions to achieve a common objective.

2. Give two instances of impact of changes in political environment on companies. [2 marks]

Solution:

Concept:

- The political environment includes political stability, the attitude of the government towards business and the policies associated with that attitude.
- A change in government policy can change a company's opportunities, costs and investment decisions.

Step 1: Explain a change in policy towards private business **Liberalisation and private participation:** A government adopting a policy favourable to private enterprise may open an industry previously reserved for the public sector. Private companies then gain opportunities to enter that industry, expand capacity and invest in new projects.

Step 2: Explain a change in attitude towards foreign investment **Policy towards foreign companies:** A government may relax restrictions on foreign investment and encourage overseas companies to operate in the country. Foreign companies can establish or expand operations, while domestic companies may face stronger competition and respond by improving quality or reducing costs.

Step 3: Conclusion Two instances are opening previously restricted industries to private companies and relaxing foreign-investment restrictions. Both show how a government's political approach towards business affects companies' entry, expansion and competitive decisions.

Quick Tip to Solve: For each instance, state the political or policy change first and then explain its consequence for a company; do not merely name a government.

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

Solution:

Concept:

- Motivation is the process of stimulating people to take action to accomplish desired goals.
- It is an element of directing because it encourages employees to use their abilities willingly towards organisational objectives.

Step 1: State the meaning of motivation Motivation means stimulating employees to act in a desired manner in order to achieve organisational goals. The willingness to work is important: an employee may possess the ability to perform a job but still require encouragement to put that ability into action.

Step 2: Explain its role in directing A manager identifies employees' needs and uses suitable financial or non-financial incentives, such as pay, recognition or responsibility, to encourage effort. The prospect of satisfying a need creates a drive to work. Thus motivation channels employees' energy towards the desired performance rather than relying only on instructions or supervision.

Step 3: Conclusion As an element of directing, motivation is the process of stimulating employees to work willingly and purposefully towards organisational objectives by addressing their needs and encouraging suitable behaviour.

Quick Tip to Solve: Distinguish motivation from ability: motivation supplies the willingness and drive to use an employee's ability towards a goal.

4. What is meant by 'marketing management' ? [2 marks]

Solution:

Concept:

- Marketing management is the management of marketing activities to satisfy customer needs and achieve the organisation's objectives.
- It involves choosing target markets and getting, keeping and growing customers by creating, delivering and communicating superior customer value.

Step 1: Identify the customer-focused purpose Marketing management means planning, organising, directing and controlling marketing activities so that customer needs are satisfied and organisational objectives are achieved. It starts by identifying the customers to be served and understanding what those customers need.

Step 2: Explain the activities involved Managers develop a suitable product and make decisions about its price, promotion and distribution. These decisions work together to create and deliver value to the chosen target market. Marketing management therefore includes attracting customers and maintaining lasting relationships with them; it is broader than simply persuading someone to buy an existing product.

Step 3: Conclusion Marketing management is the process of managing marketing activities to choose target markets and attract, retain and grow customers through superior customer value, while

achieving organisational objectives.

Quick Tip to Solve: Use both parts of the definition: satisfying the chosen customers through value and managing activities to achieve business objectives.

5. Differentiate between 'marketing' and 'selling' on the basis of (i) scope and (ii) stage of start of these activities. [2 marks]

Solution:

Concept:

- Marketing covers the whole process of identifying and satisfying customer needs; selling focuses on transferring an existing product to the buyer.
- The two activities can be distinguished by their scope and by the point at which they begin.

Step 1: Compare the scope of the activities Marketing is a wider concept, of which selling is only one part. The requested differences are shown below.

Basis	Marketing	Selling
Scope	Wide: includes identifying customer needs, product planning, pricing, promotion, distribution and after-sales service.	Narrow: mainly concerns persuading customers and transferring the product from seller to buyer.
Stage of start	Begins before production, with the study of customer needs and market opportunities.	Begins after production, when a product is available for sale.

Step 2: Relate the starting point to the focus Marketing first asks what customers need and uses this knowledge to guide what should be produced. Selling begins with what the business has already produced and seeks buyers for it. This explains why selling is included within marketing rather than being a substitute for the entire marketing process.

Step 3: Conclusion Marketing has a wider scope and begins before production; selling has a narrower scope and begins after production, with an existing product to be sold.

Quick Tip to Solve: For scope, write whole process versus one activity; for stage of start, write before production versus after production.

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

Solution:

Concept:

- Management principles are general guidelines for managerial decision-making and action. They help managers deal with recurring organisational situations.
- Unlike rigid rules or exact scientific laws, these principles are flexible and are applied after considering the circumstances of the organisation.

Step 1: Explain the meaning of management principles **General guidelines:** Management principles are broad statements that guide the thinking and behaviour of managers while they plan, organise, staff, direct and control. They indicate useful relationships between managerial actions and their likely results. For example, unity of command suggests that an employee should receive orders from one superior, which reduces confusion and conflicting instructions. A manager adapts such guidance to the particular situation rather than applying it mechanically.

Step 2: State how the principles are derived **Observation and experimentation:** The principles are developed through the experience of practising managers, systematic observation of actual work situations, and repeated experiments. Managers first observe a pattern, formulate a tentative explanation and test it in different circumstances. When repeated experience supports the relationship, it is stated as a general principle. For example, observing that excessive workloads reduce efficiency and testing rest intervals can establish the usefulness of suitable breaks. Thus the principles reflect accumulated knowledge of managerial practice, rather than arbitrary personal opinions.

Step 3: Conclusion Management principles are flexible, general guidelines for managerial action, derived through observation, practical experience and repeated experimentation.

Quick Tip to Solve: For this question, separate the definition from the method of derivation: write general guidelines first, then observation and experimentation.

7. Enumerate any three advantages of 'informal communication' from the point of view of members of an organisation and from the point of view of management. [3 marks]

Solution:

Concept:

- Informal communication is the exchange of information through personal and social relationships rather than prescribed official channels; its network is often called the grapevine.
- Its advantages can be considered both for individual members and for management, even though the network must be supplemented with reliable formal information.

Step 1: State the advantages for organisational members **1. Social satisfaction:** Informal contacts allow employees to share interests, experiences and concerns. They meet the need for friendship and belonging, reduce feelings of isolation and make membership of the organisation more satisfying.

2. Quick exchange of information: Employees can obtain news and clarification rapidly through personal contacts without waiting for every level of the formal hierarchy. This helps them understand developments affecting their work.

3. Emotional support and cooperation: Members can discuss difficulties freely, receive advice from colleagues and support one another. Such relationships strengthen mutual trust and encourage cooperation in day-to-day work.

Step 2: State the advantages for management **1. Rapid transmission:** The informal network spreads information quickly across departments and levels and can supplement formal channels when timely communication is needed.

2. Feedback about employee attitudes: Informal conversations help management learn about

employees' feelings, grievances and reactions to proposed changes. Managers can use this feedback to recognise difficulties early.

3. Better human relations: Understanding and working constructively with informal groups helps managers gain employee cooperation, improve morale and secure acceptance of organisational decisions. These benefits arise when management verifies information and prevents rumours from substituting for official facts.

Step 3: Conclusion Informal communication benefits members through belonging, quick information and mutual support; it benefits management through speed, employee feedback and improved cooperation.

Quick Tip to Solve: Use two clear headings, members and management, so that both perspectives explicitly requested in the question are covered.

8. "Leadership is the source of motivation." Do you agree ? Give three reasons in support of your answer. [3 marks]

Solution:

Concept:

- Leadership is the process of influencing the behaviour of people so that they willingly work towards organisational objectives.
- Motivation stimulates people to act towards desired goals. An effective leader connects organisational goals with employees' needs and creates willingness to contribute.

Step 1: Express agreement and explain need satisfaction Yes, leadership is a source of motivation. **1. Understanding and satisfying needs:** A leader maintains personal contact with followers and learns what encourages them, such as recognition, responsibility, security or opportunities to develop. By recommending suitable rewards, appreciating good performance and providing challenging work, the leader links effort with outcomes employees value. Employees then have a positive reason to put their abilities to work instead of merely obeying an instruction.

Step 2: Explain guidance and confidence **2. Providing guidance and support:** A leader clarifies the goal, explains what is expected and helps followers overcome difficulties. Advice, training and encouragement reduce uncertainty and the fear of failure. When employees understand how to perform a task and know that support is available, they gain confidence and become more willing to make sustained efforts.

Step 3: Explain inspiration and voluntary cooperation **3. Inspiring through example and trust:** A leader sets an example through commitment, integrity and concern for people. Involving employees where appropriate, recognising their contribution and treating them fairly creates trust and a sense of belonging. Followers identify with the leader and the shared goal, so they cooperate willingly and show enthusiasm. This influence turns formal directions into committed action rather than relying solely on authority or fear.

Step 4: Conclusion I agree: leadership motivates followers by responding to their needs, building confidence through guidance, and inspiring willing cooperation through trust and personal example.

Quick Tip to Solve: Support agreement with three distinct links to motivation: valued needs, confidence to perform, and willingness to cooperate.

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

Solution:

Concept:

- Advertising is a paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor.
- The definition gives three essential features: payment, impersonal communication and an identifiable advertiser.

Step 1: Explain payment and impersonal communication **1. Paid form:** Advertising is not free publicity. The advertiser pays the medium or agency to create or communicate the promotional message. For example, a business pays for space in a newspaper or for time on television. This payment allows the advertiser to select the message, the medium and the timing of its presentation.

2. Impersonal presentation: The message is communicated through a medium to a large number of people rather than through direct face-to-face interaction between the seller and each prospective buyer. The same message can reach many geographically dispersed customers through newspapers, radio, television or other media. Since personal interaction is absent, it cannot immediately adapt its explanation to every individual's doubts in the way personal selling can.

Step 2: Explain the identified sponsor **3. Identified sponsor:** An advertisement is issued by a clearly identifiable person or organisation. The audience knows whose product, service or idea is being promoted, usually through the advertiser's name, brand or logo. For example, a named company promotes its branded product in a newspaper advertisement. Identification distinguishes advertising from an anonymous message and enables the audience to associate the promotional claim with the organisation responsible for it.

Step 3: Conclusion The three features of advertising are that it is paid for, uses non-personal communication, and is undertaken by an identified sponsor.

Quick Tip to Solve: Build the answer directly from the standard definition: paid form, non-personal presentation, identified sponsor.

10. Explain in brief any three methods used by public relations professionals to influence the public opinion for shaping the public image of a business enterprise. [3 marks]

Solution:

Concept:

- Public relations is the deliberate effort to build and maintain favourable relations between an enterprise and its various publics, such as customers, employees, investors and the community.
- Public relations professionals shape public opinion by communicating credible information about the enterprise and by bringing its activities into constructive contact with the public.

Step 1: Communicate through publications **Publications:** A business can issue annual reports, brochures, articles, newsletters and company magazines. These explain its achievements, policies, products and contribution to society. By supplying clear and reliable information, such publications

help the public understand the enterprise and form a favourable impression of its activities.

Step 2: Arrange events that attract public attention **Events:** Public relations professionals arrange events such as seminars, exhibitions, conferences, contests and sponsorship of cultural or sporting programmes. These bring the enterprise into contact with its stakeholders and may attract favourable media coverage. For example, sponsoring a community sports event can associate the enterprise with community welfare.

Step 3: Supply newsworthy information to the media **News:** The enterprise identifies positive, newsworthy developments and communicates them to newspapers, television and other media through press releases or press conferences. Information about a new product, an achievement or a community project can reach a wide audience. Accurate and useful news builds awareness and credibility, thereby influencing public opinion about the business.

Step 4: Conclusion Publications, events and news are three methods used by public relations professionals. Each communicates the enterprise's activities to its publics and helps build a favourable public image.

Quick Tip to Solve: Name a public relations tool, explain how it reaches the public, and link it to the enterprise's image; do this separately for each method.

11. Which principle of management aims at securing the loyalty and devotion of the employees by giving them kind, fair and just treatment ? Explain the principle with a suitable example. [4 marks]

Solution:

Concept:

- Henri Fayol's principle of equity requires managers to treat employees with kindness and justice. Fair treatment helps secure their loyalty and devotion to the organisation.
- Equity means impartial and reasonable treatment in the circumstances. It combines humane behaviour with the maintenance of discipline and does not justify favouritism or arbitrary decisions.

Step 1: Identify the principle from the description The principle is **Equity**. The words "kind, fair and just treatment" identify it. Fayol advised managers to deal with employees in a manner that encourages loyalty, willingness to cooperate and devotion to their work. Employees are more likely to support organisational objectives when they believe that their manager respects them and treats them fairly.

Step 2: Explain how equity guides managerial treatment Managers should avoid discrimination on grounds such as religion, language, caste, nationality or personal relationships. Comparable situations should be judged by consistent and objective standards. At the same time, managers should understand an employee's genuine circumstances and show kindness. Equity does not remove the need for discipline: poor performance or misconduct can be corrected, but the action must be fair, proportionate and free from personal prejudice.

Step 3: Illustrate the principle with a workplace example Suppose two employees perform the same work with the same standard of performance. A manager applies the same appraisal criteria and gives them equal opportunities for recognition and promotion, rather than favouring a relative or a

personal friend. If an employee makes an honest mistake, the manager listens to the explanation and provides guidance instead of humiliating the employee. Such fair and considerate conduct builds trust, encourages employees to remain with the enterprise and strengthens their commitment to its goals.

Step 4: Conclusion Fayol's principle of equity aims to secure employee loyalty and devotion through kindness and justice. Impartial appraisal and considerate correction of mistakes illustrate its application in an enterprise.

Quick Tip to Solve: Link "kindness plus justice" to equity; support the explanation with an example showing both fair standards and considerate treatment.

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

Solution:

Concept:

- Delegation is the transfer of authority from a superior to a subordinate to carry out an assigned task. Authority is the right to take decisions, give orders and use resources within defined limits.
- Responsibility is the obligation to perform the assigned duty. The subordinate receives responsibility for the task, but the superior's ultimate responsibility and accountability to the superior above him remain intact.

Step 1: Explain how authority is delegated **Transfer of decision-making power:** A manager cannot personally perform every activity. He assigns duties to a subordinate and grants enough authority to carry them out. For example, a sales manager may authorise a sales executive to negotiate sales within an approved discount limit. The executive can then act without seeking permission for every transaction, while remaining within that limit.

Step 2: Explain the continuing responsibility of the superior **No escape from ultimate responsibility:** Delegating authority does not relieve the manager of his obligation to ensure that the work is properly completed. If the subordinate performs badly, the manager cannot avoid answering to his own superior merely by saying that the work had been delegated. He must select a suitable subordinate, provide guidance and exercise adequate supervision.

Step 3: Distinguish the subordinate's duty from the superior's obligation **Responsibility exists at both levels:** The subordinate is responsible to the delegating manager for the assigned work, while the manager continues to be responsible to his own superior for the overall result. Thus, responsibility for doing the task is assigned, but the superior's original responsibility is not transferred away. In the example, the executive must negotiate properly and the sales manager must still answer for the department's performance.

Step 4: Conclusion Authority may be passed down to enable a subordinate to act, but the delegating superior remains ultimately responsible for the results. Delegation therefore distributes work and decision-making power without allowing the superior to abandon his obligation to ensure performance.

Quick Tip to Solve: Separate the right to act from the obligation to answer for results: the first can be delegated, but the superior cannot shed the second.

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

(i) Where the output of learners cannot be expected to reach the minimum standard,

(ii) Where there is clear relationship between efforts and output,

(iii) Where units of output cannot be measured, and

(iv) Where quality is less important than quantity [4 marks]

Solution:

Concept:

- Under the time-rate system, wages depend on time spent at work, such as hours or days, rather than the number of units produced. It provides stable earnings and permits attention to learning and quality.
- Under the piece-rate system, wages depend on the measurable number of units produced at a specified rate per unit. It directly rewards greater output and is suitable where effort and output can be linked clearly.

Step 1: Choose the system for learners and measurable effort **(i) Learners unable to reach the minimum output standard — Time-rate:** Learners need time to acquire skill and cannot initially produce as much as experienced workers. Paying for time worked assures them reasonable earnings while they learn. Piece-rate wages would make their earnings very low because of their initially low output and could discourage proper training.

(ii) Clear relationship between effort and output — Piece-rate: When an employee's additional effort leads directly to additional measurable output, payment per unit gives a direct financial incentive to work efficiently. The worker can see the connection between effort, production and earnings, and a more productive worker receives higher wages.

Step 2: Choose the system for unmeasurable output and quantity priority **(iii) Units of output cannot be measured — Time-rate:** Piece-rate payment requires an identifiable unit of production so that earnings can be calculated from output. Where such units cannot be measured, this basis is unavailable. Wages should therefore be paid for the time devoted to the work, subject to appropriate supervision of performance.

(iv) Quality less important than quantity — Piece-rate: Payment per unit encourages workers to increase the number of units produced. It is suitable when quantity is the main concern and the work does not require sacrificing speed to achieve unusually high quality. Basic acceptable standards should still be maintained; the method does not justify defective output.

Step 3: Conclusion Adopt time-rate payment in situations (i) and (iii), and piece-rate payment in situations (ii) and (iv). Time-rate suits learning and work without measurable units, whereas piece-rate suits a direct effort-output relationship and an emphasis on quantity.

Quick Tip to Solve: Check whether individual output can be measured and increased by effort. If so, piece-rate can reward quantity; otherwise, consider time-rate.

14. You are a finance expert. One of your friends comes to you and tells you that the capital market and the money market are one and the same, whereas you differ with him. How would you convince him ? Give any four reasons. [4 marks]

Solution:

Concept:

- Financial markets channel funds from savers to users, but the money market and the capital market serve different financing needs.
- The money market deals in short-term funds, while the capital market provides medium- and long-term finance through instruments such as shares and debentures.

Step 1: Explain the distinction to the friend Both are parts of the financial market, but this common purpose does not make them identical. A business needing temporary cash and a business raising finance for a long-term expansion approach different markets. The following four differences establish why the two markets cannot be treated as one and the same.

Step 2: Compare them on four bases

Basis	**Money market**	**Capital market**
Duration	It deals in short-term funds and monetary assets with a maturity of up to one year.	It deals in medium- and long-term funds. Shares have no fixed maturity, while long-term debt extends beyond one year.
Instruments	Its instruments include treasury bills, commercial paper, call money, certificates of deposit and commercial bills.	Its instruments include equity shares, preference shares, debentures and bonds.
Participants	Its major participants are the Reserve Bank of India, commercial banks, financial institutions and large companies.	Its participants include financial institutions, banks, companies and individual investors, including ordinary retail investors.
Investment outlay	Transactions generally require large sums, so instruments are commonly issued or traded in large denominations.	Securities can be purchased in relatively small amounts, making participation possible for small savers as well as large investors.

Step 3: Conclusion The markets differ in duration, instruments, participants and investment outlay. Thus, although both mobilise finance, the money market chiefly meets short-term requirements and the capital market provides medium- and long-term finance.

Quick Tip to Solve: Compare the two markets using the same four headings in parallel columns; begin with maturity, which is the clearest dividing line.

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

Solution:

Concept:

- The Securities and Exchange Board of India (SEBI) protects investors, promotes the development of the securities market and regulates its functioning.
- Developmental functions improve market capability and participation; regulatory functions establish and enforce rules for market institutions and intermediaries.

Step 1: State two developmental functions

- **Training of intermediaries:** SEBI promotes the training of intermediaries in the securities market. Better knowledge and professional competence enable brokers and other intermediaries to provide more efficient services and help the market function effectively.
- **Research and useful information:** SEBI conducts research and publishes information useful to market participants. Such information improves understanding of market conditions and supports informed participation, contributing to the development of an orderly securities market.

Step 2: State two regulatory functions

- **Registration of intermediaries:** SEBI registers brokers, sub-brokers and other players in the securities market. Bringing these intermediaries within a formal registration framework makes them subject to prescribed requirements and facilitates supervision of their activities.
- **Regulation of stock exchanges and intermediaries:** SEBI frames rules and regulations and a code of conduct for intermediaries, including brokers and underwriters, and regulates the business of stock exchanges. These rules set standards for their working and promote fair, orderly dealings in securities.

Step 3: Conclusion Training intermediaries and conducting research with publication of useful information are two developmental functions. Registering intermediaries and framing rules and codes to regulate exchanges and intermediaries are two regulatory functions of SEBI.

Quick Tip to Solve: Associate development with training and information, and regulation with registration and rules; keep two clearly named functions under each heading.

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

Solution:

Concept:

- In the traditional distinction, administration determines the objectives and broad policies of an enterprise, while management executes those policies to achieve its objectives.
- The statement describes a logical relationship: the ends and guiding policies must be decided before the means of carrying them out can be organised.

Step 1: Explain why administration comes first **Determination of objectives:** Administration decides what the enterprise is to achieve, such as the markets it will serve and its long-term direction. These

objectives provide the starting point for action; employees cannot be directed effectively without a purpose.

Formulation of broad policies: Administration lays down the basic policies and overall framework within which work will be done. For example, a policy concerning the quality of products or the extent of expansion guides subsequent operating decisions. Thus administration answers broadly what is to be done and why.

Step 2: Explain how management follows administration **Preparation of operating plans:** Management translates the approved objectives and policies into specific programmes, schedules, procedures and budgets. It decides how the intended results will be obtained within the framework already laid down.

Execution through people and resources: Management organises work, assigns responsibilities, staffs positions, directs employees and coordinates their efforts. It brings human and material resources together to implement the administrative decisions rather than leaving them as statements of intention.

Control of performance: Management compares actual results with the prescribed objectives and takes corrective action when necessary. The objectives and policies supplied by administration therefore become the standards that guide implementation and control.

Step 3: Conclusion Under this view, administration is primarily concerned with deciding objectives and policies, and management with carrying them into effect. Administration therefore precedes management logically. In practice, the two activities overlap: managers at higher levels spend more time on policy decisions, while those at lower levels spend more time on execution.

Quick Tip to Solve: Link the statement to the sequence "decide objectives and policies, then implement them." Treat it as a traditional functional distinction, not as a claim that administrators never manage.

17. Explain, in brief, any five benefits of understanding environment in shaping the future of business.

[5 marks]

Solution:

Concept:

- Business environment comprises the external forces and conditions that influence an enterprise's functioning, including economic, social, technological, political and legal factors.
- Understanding these forces enables a business to anticipate change and adapt its decisions, instead of waiting until a change has already harmed its position.

Step 1: Identify opportunities and threats in time **Identification of opportunities and first-mover advantage:** Environmental understanding reveals favourable trends and unmet customer needs. A firm that recognises a growing demand early can introduce an appropriate product before competitors, build customer loyalty and gain a stronger market position.

Identification of threats and early warning signals: Changes such as new competition, substitute products or restrictive regulations may endanger existing business. Awareness gives managers time to prepare a response, for example by improving quality, reducing unnecessary costs or modifying a

product, before the threat causes serious damage.

Step 2: Explain how this knowledge improves future decisions **Tapping useful resources:** A business obtains inputs such as finance, labour, materials and technology from its environment and supplies goods and services to it. Understanding the availability of resources and the expectations of suppliers and customers helps the firm obtain suitable inputs and offer outputs that the environment will accept.

Coping with rapid changes: Customer preferences, technology and competitive conditions can change quickly. Environmental awareness helps a business revise its products, methods and working practices in time. It therefore reduces dependence on outdated methods and makes adaptation more purposeful.

Assistance in planning and policy formulation: Knowledge of external trends provides a realistic basis for setting objectives and selecting strategies. For example, expected changes in demand or government policy can be considered when deciding capacity and investment. Plans that take likely external developments into account are better suited to shaping the firm's future than plans based only on past experience.

Step 3: Conclusion Understanding the environment helps a business recognise opportunities, anticipate threats, obtain resources, cope with change and frame sound plans and policies. These benefits help it prepare for future conditions and sustain its competitive position.

Quick Tip to Solve: For each benefit, state both the environmental information obtained and the managerial action it enables; this explains the benefit instead of merely naming it.

18. Explain briefly any five points which highlight the importance of controlling. [5 marks]

Solution:

Concept:

- Controlling means comparing actual performance with planned standards, finding deviations and taking corrective action so that organisational objectives are achieved.
- Its importance lies in converting plans into results and providing feedback for better decisions. It operates at every level and continues throughout the life of the organisation.

Step 1: Explain its role in achieving results and improving standards

- **Accomplishing organisational goals:** Controlling measures progress towards the planned goals. By identifying deviations and ensuring suitable corrective action, it keeps activities on the intended course. For example, a production shortfall can be investigated and corrected before the annual target is missed.
- **Judging the accuracy of standards:** An effective control system checks whether the standards themselves remain realistic and appropriate. Changes in technology, costs or market conditions may make an earlier standard unsuitable. Feedback from actual performance therefore helps management review and revise standards when necessary.

Step 2: Explain its effect on resources, employees and workplace discipline

- **Making efficient use of resources:** Control checks the use of materials, machines, money and

labour against predetermined norms. Detecting wastage, duplication or misuse enables managers to remove the causes and obtain better results from available resources.

- **Improving employee motivation:** Clearly stated performance standards tell employees what is expected of them and how their work will be assessed. Recognition of good performance and constructive feedback encourage employees to improve their contribution towards the organisation's goals.
- **Ensuring order and discipline:** Control establishes accountability and checks undesirable practices such as unauthorised use of resources, absenteeism and dishonesty. Employees understand that performance and conduct are monitored, which promotes responsible behaviour and orderly working.

Step 3: Conclusion Thus, controlling is important because it helps achieve goals, tests the accuracy of standards, improves resource utilisation, motivates employees and maintains order and discipline. Its purpose is timely improvement through feedback and corrective action.

Quick Tip to Solve: Link each importance point to what control actually does: compare, detect, provide feedback and correct. Explain five distinct benefits rather than repeating goal achievement in different words.

19. "Over-capitalisation is a curse to the shareholders." Do you agree with the statement ? Give reasons. [5 marks]

Solution:

Concept:

- Over-capitalisation is the situation in which a company's capital exceeds the capital justified by its earning capacity. Its earnings are insufficient to provide a normal return on the capital employed.
- It is different from merely having a large amount of capital or surplus cash. The essential test is the relationship between sustainable earnings and the capital represented by the company's securities.

Step 1: State agreement and explain the loss of income and investment value Yes, the statement is justified because over-capitalisation adversely affects the shareholders in the following ways:

- **Low and irregular dividends:** Earnings are inadequate in relation to the company's capital. After meeting fixed obligations, little profit may remain for equity shareholders. Their dividend rate falls and, in a severe situation, dividends may be suspended, reducing the income expected from their investment.
- **Fall in the market value of shares:** Investors value shares largely on the basis of expected earnings and dividends. Low profitability and uncertain dividends reduce demand for the shares, causing their market price to fall. Shareholders who sell therefore suffer a capital loss.

Step 2: Explain the further financial risks borne by shareholders

- **Difficulty in disposing of shares:** Poor returns and an unfavourable reputation discourage prospective buyers. Shareholders may find it difficult to sell their holdings promptly, except at a substantial discount, so their investment loses liquidity.
- **Reduced borrowing capacity against shares:** A fall in share prices reduces the value of the shares as collateral. Banks may lend less against them or decline to accept them, limiting the shareholder's

ability to raise funds using the investment as security.

- **Risk of loss in reconstruction or liquidation:** To restore financial health, a reconstruction scheme may reduce the paid-up value of shares or require shareholders to accept a sacrifice. If the company ultimately fails, shareholders are residual claimants: creditors are paid first, and shareholders may recover little or none of their original investment.

Step 3: Conclusion Over-capitalisation is therefore a curse to shareholders: it threatens their dividend income, lowers the value and liquidity of their shares, weakens their ability to borrow against them and exposes their invested capital to loss. These consequences arise from inadequate earning capacity relative to capital.

Quick Tip to Solve: Organise the answer around the shareholder's two expectations: regular income and safety of capital. Then add saleability, collateral value and the risk of reconstruction or liquidation.

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

Solution:

Concept:

- Capital structure is the proportion of owners' funds and borrowed funds used to finance the long-term capital requirements of an enterprise.
- Debt carries a contractual interest and repayment obligation, whereas equity provides permanent risk capital. The financing mix should balance cost, financial risk and control.

Step 1: Examine earnings and repayment capacity

- **Cash-flow position:** A business with strong, regular cash inflows can use more debt because it can meet interest and principal repayments when due. Uncertain or inadequate cash flows call for a larger equity component, since accounting profits alone do not pay lenders.
- **Stability of earnings:** An enterprise with stable sales and earnings can bear fixed interest commitments more safely. If earnings fluctuate substantially, heavy borrowing may create financial distress during a poor year; greater reliance on owners' funds reduces this risk.

Step 2: Compare financing costs and ownership considerations

- **Cost of debt:** Interest rates, issue expenses and repayment terms affect the attractiveness of borrowing. Reasonably priced debt can reduce the overall financing cost, but costly borrowing imposes a large fixed burden and should be restricted.
- **Tax rate:** Interest on debt is generally deductible in calculating taxable business income, while equity dividends are paid out of after-tax profits. A higher corporate tax rate increases the tax advantage of debt, although this advantage must still be weighed against repayment risk.
- **Control considerations:** Issuing additional equity shares may dilute the voting power of existing shareholders. Debt normally does not confer ordinary voting rights, so promoters wishing to retain control may prefer some borrowing, provided the enterprise can safely service it.

Step 3: Conclusion Cash-flow position, stability of earnings, cost of debt, tax rate and control

considerations are five relevant factors. A suitable capital structure combines the cost advantage of borrowing with the enterprise's ability to meet fixed obligations and its ownership objectives.

Quick Tip to Solve: For each factor, explain the direction of its effect: stronger cash flows favour debt, while unstable earnings favour equity. Never recommend debt merely because it is cheaper.

21(a). Explain briefly any six steps in the formulation of a plan. [6 marks]

Solution:

Concept:

- Planning decides 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 provides a course of action for achieving organisational objectives.
- Formulating a plan requires a logical sequence from setting objectives to choosing the best course of action. Forecasts and assumptions provide the basis for comparing the available alternatives.

Step 1: Establish the purpose and basis of the plan

- **Set objectives:** State clearly the results the organisation seeks to achieve. Objectives should be specific and practicable, and should indicate the period in which results are expected. For example, a firm may aim to increase annual sales by a stated percentage. Departmental objectives must support the overall objective.
- **Develop planning premises:** Identify the assumptions on which the plan will rest, using forecasts of likely future conditions. These may concern demand, prices, competition, government policy and the resources available within the firm. Managers should use consistent premises so that their departmental plans fit together.

Step 2: Identify and assess possible courses of action

- **Identify alternative courses of action:** Discover the different ways of achieving the objectives instead of accepting the first idea that occurs. For instance, sales might be increased through better distribution, a new product or stronger promotion. Relevant and feasible alternatives should be listed.
- **Evaluate the alternatives:** Examine each alternative against the objectives and premises. Compare its expected benefits, costs, resource requirements, risks and limitations. An alternative offering high returns may also involve greater uncertainty, so evaluation must consider both advantages and disadvantages.

Step 3: Choose the course and prepare supporting plans

- **Select the best alternative:** Choose the course of action that most suitably achieves the objectives within the firm's resources and expected conditions. The decision may combine parts of several alternatives where this produces a better overall plan.
- **Formulate derivative or supporting plans:** Prepare the detailed departmental and operational plans needed to make the main plan workable. These include production, purchasing, staffing and financial plans, with appropriate schedules and budgets. For example, an expansion plan must be supported by plans for machinery, employees and finance.

Step 4: Conclusion Six steps in formulating a plan are setting objectives, developing premises, identifying alternatives, evaluating alternatives, selecting the best alternative and preparing supporting plans. Together they convert an intended result into a coordinated and practicable course of action.

Quick Tip to Solve: Follow the order: objective, assumptions, alternatives, comparison, choice and supporting details. Explain what the manager does at each stage rather than merely naming the stages.

OR

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

Solution:

Concept:

- Policies and procedures are standing plans: they guide recurring situations and reduce the need to decide everything afresh.
- A policy guides judgement and decision-making; a procedure prescribes the sequence of activities for carrying out work.

Step 1: Explain policy as a guide to decisions A **policy** is a general statement or understanding that guides thinking and channels decisions towards organisational objectives. It indicates the broad boundaries within which a manager may exercise judgement. For example, a policy of filling senior vacancies through internal promotion guides the choice of candidates, while leaving room to assess their suitability. A policy therefore ensures consistency without specifying every action in detail.

Step 2: Explain procedure as a sequence of actions A **procedure** is a prescribed series of steps, arranged in chronological order, for performing a recurring activity. It states how a policy or task is to be implemented. For example, an appointment procedure may require receiving applications, screening them, conducting tests and interviews, checking references and issuing an appointment letter. Following the sequence avoids omissions and coordinates the work of the people involved.

Step 3: Distinguish the two types of plans on four bases

Basis	**Policy**	**Procedure**
Purpose	Guides thinking and the selection of a course of action.	Guides action by specifying how work is to be performed.
Scope	Gives a broad framework for a class of decisions.	Gives detailed steps for a particular recurring activity.
Flexibility	Allows discretion within stated limits to suit the situation.	Normally requires the prescribed steps and their order to be followed, allowing less discretion.
Sequence	Does not necessarily prescribe a chronological order of activities.	Specifically lays down activities in a definite chronological sequence.

Step 4: Conclusion A policy tells managers the broad approach to adopt, whereas a procedure tells employees the ordered steps through which work is carried out. They complement each other: the procedure translates a guiding policy into consistent action.

Quick Tip to Solve: Use one example throughout: an internal-promotion policy guides the decision, while the selection procedure specifies the successive actions.

22(a). What is meant by 'organising' ? Explain, in brief, the steps involved in the process of organising.

[6 marks]

Solution:

Concept:

- Organising converts a plan into a workable arrangement of activities, jobs and authority relationships.
- Its process identifies and divides work, groups related activities, assigns duties and establishes reporting relationships so that people can work together towards common objectives.

Step 1: State the meaning of organising **Organising** is the process of identifying and grouping the activities required to achieve objectives, assigning these activities to suitable people and establishing authority and responsibility relationships among them. It creates an organisational structure in which each person knows what work to do, the authority available to do it and the person to whom he or she is accountable. It thus brings human effort and other resources together to implement the plans of the enterprise.

Step 2: Identify and divide the work **Identification and division of work:** First identify all activities needed to accomplish the plan and divide the total work into manageable tasks. For example, manufacturing a product requires purchasing materials, producing goods, maintaining quality and selling the output. Division makes the tasks clear, prevents work from being overlooked and allows specialisation rather than requiring everyone to perform every activity.

Step 3: Group related activities into departments **Departmentalisation:** Bring similar or closely related tasks together into departments or units. Activities may be grouped by function, such as production, finance and marketing, or on another suitable basis such as product or territory. Grouping allows related work to be coordinated and supervised effectively and gives each department a clear field of responsibility.

Step 4: Assign duties to suitable people **Assignment of duties:** Allocate the jobs within each department to employees according to their abilities, qualifications and experience. Define the duties and responsibility attached to each position clearly, so that work is neither duplicated nor left unattended. Matching the person to the job helps the employee perform competently and makes it possible to assess the results of the assigned work.

Step 5: Establish authority and reporting relationships **Establishing reporting relationships:** Specify who reports to whom and who may direct whose work. Provide authority commensurate with the duties assigned, so that a person has the power to obtain the resources and decisions required for performance. Clear superior-subordinate relationships link the positions into a coordinated structure, establish accountability and provide channels for communication.

Step 6: Conclusion Organising establishes the arrangement through which plans are implemented. Identifying and dividing work, departmentalising it, assigning duties and establishing authority relationships enable employees to contribute in a coordinated manner towards organisational objectives.

Quick Tip to Solve: Remember the sequence: identify work, group work, assign work, and connect people through reporting relationships. Explain the purpose of each step.

OR

22(b). Explain the term 'decentralisation', in brief, and distinguish between 'decentralisation' and 'delegation' of authority on the basis of (i) scope, (ii) significance, (iii) freedom of action, and (iv) essentiality. [6 marks]

Solution:

Concept:

- Decentralisation is the systematic delegation of decision-making authority throughout an organisation, down to lower managerial levels, while retaining necessary central control.
- Delegation is the process in which a superior assigns responsibility, grants adequate authority to a subordinate and creates accountability for the assigned task. It operates within a superior–subordinate relationship.

Step 1: Explain the meaning of decentralisation Under decentralisation, top management deliberately disperses authority across departments and levels instead of taking every decision at the centre. Lower-level managers can decide matters within their assigned areas without repeatedly seeking approval. For example, a divisional manager may be authorised to decide local purchases and employee deployment within approved limits. Top management still determines broad policy and reviews results; decentralisation does not mean abandonment of control or transfer of all authority.

Step 2: Distinguish the two concepts on the specified bases

Basis	Decentralisation	Delegation
Scope	It has a wider scope: decision-making authority is systematically dispersed throughout the organisation.	It has a narrower scope: a superior grants authority to a particular subordinate for specified duties.
Significance	It expresses the top management's policy and philosophy of sharing decision-making power with lower levels.	It is a managerial technique for getting work done through others and sharing the superior's workload.
Freedom of action	Lower-level managers enjoy comparatively greater freedom to make decisions within the areas and limits laid down.	The subordinate's freedom is comparatively limited by the particular task, instructions and authority granted by the superior.
Essentiality	It is optional: management decides how far to decentralise according to the enterprise's needs and circumstances.	It is essential for effective management because a manager cannot personally perform all the work entrusted to the position.

Step 3: Conclusion Decentralisation is the organisation-wide extension of delegation. Delegation is indispensable to managerial work, whereas the degree of decentralisation is a deliberate policy choice that determines how widely decision-making authority is dispersed.

Quick Tip to Solve: Compare the same basis across both columns: organisation-wide policy versus an individual superior's grant of authority. Neither removes the superior's ultimate accountability.

23(a). Explain, in brief, any six steps in the staffing process. [6 marks]

Solution:

Concept:

- Staffing is the managerial function of filling and keeping filled the positions in the organisation structure with suitable people. It places the right person in the right job.
- The staffing process begins with assessing personnel needs and proceeds through attracting, selecting, placing and developing employees. Each stage contributes to a competent and effective workforce.

Step 1: Determine requirements and attract applicants **1. Estimating manpower requirements:** Assess how many employees are needed and what qualifications, skills and experience their jobs require. Workload analysis establishes the number and types of people required, while workforce analysis examines the existing employees. Comparing the two identifies shortages, surpluses and the staffing action needed. This prevents both understaffing and unnecessary labour cost.

2. Recruitment: Search for prospective employees and encourage suitable persons to apply for vacant jobs. Management can use internal sources, such as promotion and transfer, or external sources, such as advertisements and employment agencies. Recruitment creates a pool of applicants from which suitable employees can subsequently be selected; it does not itself make the final appointment.

Step 2: Select suitable employees and introduce them to work **3. Selection:** Examine the applicants and choose those best suited to the jobs. Appropriate tests, interviews, reference checks and medical examination help assess suitability, as applicable to the position. The purpose is to match the candidate's capabilities with the job requirements and avoid the costs of an unsuitable appointment.

4. Placement and orientation: Place each selected employee in the job for which the person has been chosen. Orientation then introduces the employee to colleagues, the workplace, organisational rules and the nature of duties. This reduces initial uncertainty and helps the new employee settle into the organisation and begin working effectively.

Step 3: Develop competence and evaluate performance **5. Training and development:** Training improves the employee's knowledge and skills for the present job, for example by demonstrating the correct use of equipment. Development builds wider capabilities for future responsibilities and growth. Appropriate programmes improve competence, reduce avoidable mistakes and prepare employees to meet changing work requirements.

6. Performance appraisal: Evaluate the employee's actual performance against predetermined standards and communicate the results. The review identifies strengths, weaknesses and further training needs, and provides a basis for decisions concerning career growth and rewards. Constructive feedback also tells employees how they can improve their contribution.

Step 4: Conclusion Six steps in staffing are estimating manpower requirements, recruitment, selection, placement and orientation, training and development, and performance appraisal. Together they secure suitable employees, enable them to work effectively and review their continuing contribution.

Quick Tip to Solve: Remember the sequence as assess needs, attract, choose, introduce, develop and review. Keep recruitment (inviting applicants) distinct from selection (choosing employees).

OR

23(b). Explain briefly any six reasons as to why the training of employees is needed. [6 marks]

Solution:

Concept:

- Training is the systematic process of increasing an employee's knowledge and skills for performing a particular job. It bridges the gap between existing competence and the competence required for effective work.
- Staffing does not end with selection and placement. Training is needed for new recruits as well as existing employees when methods, technology or responsibilities change.

Step 1: Explain the needs arising from entry and change **1. Equip new employees for the job:** A selected employee may have general education but lack the practical knowledge of the organisation's equipment, procedures and quality standards. Training gives the job-specific competence needed to begin work correctly.

2. Adapt to technological changes: New machines, production methods and computer systems can make earlier skills inadequate. Training enables existing workers to use the changed technology properly and prevents their knowledge from becoming obsolete.

3. Prepare for higher responsibilities: Promotion or transfer may place an employee in a role requiring different skills. Training prepares a worker to undertake more complex tasks and helps the organisation develop people for future vacancies.

Step 2: Explain the needs arising from work performance **4. Improve efficiency and quality:** Correct methods help employees perform work with greater speed and accuracy. Training reduces mistakes, improves output and helps maintain consistent quality instead of leaving workers to learn through repeated trial and error.

5. Reduce waste and accidents: Employees must know how to handle materials and operate equipment safely. Training reduces avoidable spoilage, damage and unsafe practices, protecting both workers and the organisation's resources.

6. Reduce dependence on supervision: A trained employee understands the task and the expected method. Consequently, routine instructions and close monitoring are needed less often, leaving supervisors more time for coordination and unusual problems.

Step 3: Conclusion Training is needed to make new recruits job-ready, update skills for technological change, prepare employees for greater responsibilities, improve performance, reduce waste and accidents, and lessen the need for close supervision. These six needs show why employee development must continue after recruitment.

Quick Tip to Solve: Link each reason to a distinct need: entry, technology, advancement, efficiency, safety and supervision; avoid repeating higher productivity in several forms.

24(a). "Advertising confuses rather than helps" and "Some advertisements are in bad taste". Do you agree ? Give reasons. [6 marks]

Solution:

Concept:

- Advertising is a paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. It informs and persuades consumers, but its content and methods can invite criticism.
- The objections that advertising confuses buyers and that some advertisements are in bad taste must be assessed separately. Misuse of advertising does not mean that every advertisement is misleading or objectionable.

Step 1: Examine whether advertising confuses consumers **Reason for agreement:** Competing producers often make strong claims that their own brands are the best. When many advertisements offer exaggerated or contradictory claims without useful evidence, a buyer may find it difficult to judge the real differences between products. The result can be confusion instead of an informed choice.

Limit of the objection: This is not an unavoidable result of advertising. A truthful advertisement provides information about features, uses, price or availability and helps the consumer compare alternatives. Consumers can also evaluate the claims and seek further information rather than accept every slogan literally.

Judgement: I agree that exaggerated and misleading advertisements can confuse consumers, but not that advertising necessarily confuses rather than helps. Accurate and clear advertising assists buying decisions; unsupported superiority claims are the real problem.

Step 2: Examine whether some advertisements are in bad taste **Reason for agreement:** Some advertisements attract attention through vulgar language, indecent pictures, offensive suggestions or portrayals that hurt social feelings. Such presentations may offend viewers, particularly when the imagery has little connection with the product being sold.

Limit of the objection: Standards of taste vary between people, but this does not excuse clearly objectionable content. The criticism applies to particular advertisements and their presentation, rather than to advertising as a whole; many advertisements communicate useful information in a dignified manner.

Judgement: I agree with the qualified statement that *some* advertisements are in bad taste. Advertisers should exercise social responsibility and use truthful, decent presentations, while objectionable advertisements should be discouraged through appropriate standards and regulation.

Step 3: Conclusion Both criticisms have some basis. Exaggerated competing claims may confuse consumers, and certain advertisements are indecent or offensive. However, these are defects in particular advertising practices. Truthful, informative and tasteful advertising can help consumers choose products and need not suffer from either defect.

Quick Tip to Solve: For each objection, explain its basis, state its limitation, and give a reasoned judgement; retain the word "some" when discussing bad taste.

OR

24(b). Explain briefly any six factors that should be taken into consideration while taking decisions on a particular medium of advertisement. [6 marks]

Solution:

Concept:

- Advertising media are the channels through which a paid promotional message reaches prospective buyers. Selection should match the audience and the communication task.
- No medium is best for every product. The advertiser compares the nature of the product, market coverage, message requirements, cost and the habits of the intended buyers.

Step 1: Match the medium to the product and its audience

- **Nature of the product:** The medium should demonstrate the qualities that buyers need to appreciate. A product whose operation must be shown may suit television or cinema, whereas industrial machinery requiring detailed specifications may suit a specialist trade journal. A visually attractive product benefits from a medium that reproduces pictures and colours well.
- **Nature of the target market:** Consider the buyers' age, income, education, occupation and media habits. The advertisement must appear in a medium that the intended customers actually use and understand. For example, a professional journal can reach a specialised business audience more effectively than a general entertainment publication.
- **Geographical coverage:** Choose coverage consistent with the area in which the product is sold. A local retailer may use a local newspaper or outdoor display near the shop; a nationally distributed brand may require a national newspaper or television network. Paying to reach people outside the sales area wastes the advertising budget.

Step 2: Compare the message requirements and the available resources

- **Nature of the advertising message:** The medium must accommodate the length, detail and presentation of the message. A detailed explanation or information that readers may retain favours print, while a brief message using sound, movement and demonstration favours an audiovisual medium. The choice should support the advertisement's purpose.
- **Cost and advertising budget:** Compare the cost of space or time and the expense of preparing the advertisement with the funds available. Cost should also be judged in relation to the number of relevant prospects reached, rather than only the absolute price. An expensive medium is unsuitable if it exhausts the budget without adequate useful coverage.
- **Frequency and timing of exposure:** Consider how often and how quickly the message must reach buyers. A short-lived offer needs timely release, while a reminder campaign needs repeated exposure. The medium's publication or broadcast schedule and availability should allow the required repetitions at the appropriate time.

Step 3: Conclusion The six factors are the nature of the product, the nature of the target market, geographical coverage, the nature of the message, cost and budget, and the required frequency and timing. Together they help select a medium that reaches the right buyers with a suitable message economically.

Quick Tip to Solve: Link every media-selection factor to its consequence: who is reached, where, what can be communicated, how often, and at what cost.

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

(i) The Right to basic needs,

(ii) The Right to safety, and

(iii) The Right to redressal of grievances [6 marks]

Solution:

Concept:

- Consumer rights protect buyers against exploitation and recognise that consumption should satisfy essential needs without exposing people to unreasonable danger or unfair treatment.
- The rights to basic needs, safety and redressal concern three distinct matters: access to necessities, protection from hazardous goods and services, and an effective remedy when a consumer suffers a grievance.

Step 1: Explain the right to basic needs **(i) The Right to basic needs:** Every consumer has the right to the basic goods and services necessary for survival and a dignified life. These include adequate food, clothing, shelter, healthcare, education, safe drinking water and sanitation. The right emphasises that essential needs should be accessible, particularly to poor and disadvantaged consumers; consumer welfare cannot be confined to the availability of luxury goods. For example, access to safe drinking water and essential food is a more fundamental requirement than a wide choice of costly branded products. It therefore places basic human needs at the centre of consumer protection.

Step 2: Explain the right to safety **(ii) The Right to safety:** Consumers have the right to protection against the marketing of goods and services that are hazardous to life and property. Products should be safe for their intended use, and necessary precautions and instructions should be provided. This is especially important for electrical appliances, medicines and food, where a defect can cause serious injury. A consumer should examine safety information and, where applicable, recognised quality certification such as the ISI mark. For example, an electrical appliance with unsafe wiring threatens both the user's life and household property. This right requires attention to safety rather than treating a low price as sufficient reason to buy.

Step 3: Explain the right to redressal of grievances **(iii) The Right to redressal of grievances:** Consumers have the right to seek a fair remedy against unfair trade practices, defective goods, deficient services or other exploitation. They can first bring the complaint to the seller or service provider and seek correction. Depending on the grievance, appropriate relief may include removal of a defect, replacement of the goods, refund of the price or compensation for the loss or injury suffered. If the complaint is not resolved, the consumer can approach the appropriate consumer redressal body. Keeping the bill, warranty and correspondence helps substantiate the claim. Thus, merely being allowed to complain is insufficient: the consumer should have access to an effective means of obtaining relief.

Step 4: Conclusion The right to basic needs seeks access to essential goods and services; the right to safety protects life and property from hazardous products and services; and the right to redressal enables consumers to obtain an appropriate remedy for legitimate grievances. These rights together support consumer welfare before purchase, during use and when a problem arises.

Quick Tip to Solve: Keep the three meanings distinct: basic needs concern necessities, safety concerns hazards, and redressal concerns remedies such as replacement, refund or compensation.

OR

25(b). Explain any four responsibilities of a consumer. [6 marks]

Solution:

Concept:

- Consumer responsibilities are the duties that buyers should perform while purchasing and using goods and services. Performing these duties helps consumers make informed choices and protect themselves from exploitation.
- Consumer protection is more effective when awareness of rights is accompanied by careful buying, proper use of products and preservation of evidence of purchase.

Step 1: Act as an informed and quality-conscious buyer **1. Be aware of available goods and services:** A consumer should obtain information about competing products, their prices, quality and suitability before buying. Reading the label helps the buyer check the quantity, ingredients, date of manufacture, expiry date and maximum retail price. Such awareness enables a rational choice and prevents the consumer from being misled by an exaggerated advertisement or an uninformed recommendation.

2. Buy standardised goods: A consumer should prefer products carrying the appropriate recognised quality certification, such as the ISI mark for relevant industrial products and AGMARK for agricultural products. The buyer should check that the mark is genuine and applicable to the product. Standardisation provides an assurance about prescribed quality and safety standards and reduces the risk of buying inferior or unsafe goods.

Step 2: Use products safely and preserve purchase evidence **3. Follow the manufacturer's instructions:** A consumer should read and follow the directions, warnings and precautions given with a product. Goods must be installed, used, stored and maintained in the prescribed manner. For example, an electrical appliance should be used according to its operating and safety instructions. Responsible use reduces accidents and damage caused by misuse and makes the consumer's claim more defensible when a genuine defect arises.

4. Insist on a cash memo or bill: A consumer should obtain and retain a proper bill for every purchase, along with the warranty or guarantee card where applicable. The bill records the seller, date, product and amount paid, and therefore provides evidence of the transaction. This evidence helps the consumer seek replacement, repair, refund or other appropriate redress if the goods are defective or the service is deficient.

Step 3: Conclusion Four important responsibilities are to remain informed about products, buy appropriately standardised goods, follow instructions for safe use, and obtain and preserve a cash memo. Together these practices help the consumer prevent exploitation and establish a valid grievance when necessary.

Quick Tip to Solve: Organise the answer around four actions: check information, check the quality mark, follow instructions and keep the bill. Explain how each action protects the buyer.