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

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

Solution:

Concept:

- The product concept is a marketing management philosophy that gives primary importance to the quality, performance and features of the product.
- It assumes that buyers prefer products offering superior quality and performance, so the firm should concentrate on continuous product improvement.

Step 1: State the central belief **Preference for a superior product:** Under this concept, customers are expected to favour the product that offers the best quality, useful features and performance. The emphasis is on making the product better rather than merely producing it cheaply or persuading buyers to purchase it.

Step 2: Explain its implication for the firm **Continuous improvement:** The enterprise directs its efforts towards improving product design, quality and features. For example, a manufacturer following this philosophy would devote attention to improving the durability and performance of its product. However, product improvement should still relate to what buyers need; technical excellence alone does not guarantee demand.

Step 3: Conclusion The product concept of marketing holds that consumers prefer superior-quality products with better performance and features; therefore, the firm should focus on continuous product improvement.

Quick Tip to Solve: Link the product concept to quality, performance and improvement. Link the production concept to availability and low cost.

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

Solution:

Concept:

- Directing is the managerial function of instructing, guiding, motivating and leading employees to achieve organisational objectives.
- It puts plans into action through people and operates wherever a manager has subordinates.

Step 1: Explain how directing initiates action **Guiding employees:** A manager communicates what has to be done, explains how the work should be carried out and guides employees while they perform it. Thus, directing converts decisions and plans into actual work; it is concerned with influencing people rather than simply assigning a position in the organisation.

Step 2: Identify the human activities involved **Leading and motivating:** The manager supervises work, communicates with employees, provides leadership and encourages them to contribute willingly. These activities help employees understand their duties and give their best effort towards the enterprise's objectives. Directing continues throughout the performance of work, rather than ending after an initial instruction.

Step 3: Conclusion Directing means instructing, guiding, supervising, motivating and leading

employees so that their efforts achieve organisational objectives.

Quick Tip to Solve: Remember directing through its people-related elements: supervision, motivation, leadership and communication.

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

Solution:

Concept:

- Marketing is the wider process of identifying and satisfying customer needs through the creation and exchange of value.
- Selling is one activity within marketing: it concentrates on persuading customers and transferring the product to them.

Step 1: Distinguish the scope of the activities **Scope:** Marketing covers the whole process, including identifying customer needs, product planning, pricing, promotion and distribution. Selling has the narrower scope of securing purchases and transferring ownership of the product. The two specified differences are set out below.

Basis	Marketing	Selling
Scope	Wide: includes identifying needs, planning products, pricing, promotion and distribution.	Narrow: concentrates on persuading buyers and transferring ownership.
Stage of start	Begins before production, with identifying customer needs and planning the product.	Begins after the product has been produced and is ready for sale.

Step 2: Explain the starting point **Stage of start:** Marketing first asks what consumers require and uses that information to guide production. Selling starts with the existing product and seeks customers for it. Consequently, marketing begins before production, whereas selling normally begins after production.

Step 3: Conclusion Marketing has a wider scope and begins before production; selling is a narrower component of marketing and begins after the product is ready.

Quick Tip to Solve: For the starting stage, ask whether the activity first studies needs or first takes an existing product to buyers.

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

Solution:

Concept:

- The political environment includes political stability and the attitude of the government and political leadership towards business.

- Changes in this environment can alter business confidence, investment decisions and the freedom or support available to companies.

Step 1: Explain the effect of political instability **Political instability and uncertainty:** Frequent changes of government or serious political unrest can make companies uncertain about future policy and the continuity of business conditions. A company may therefore postpone a new factory or expansion project until conditions become more predictable. This illustrates how political stability influences investment decisions.

Step 2: Explain the effect of a changed government attitude **A more supportive attitude towards private enterprise:** If a new government adopts a favourable attitude towards private business and encourages private participation in industries, companies may enter new fields or expand their operations. Conversely, an adverse attitude towards private enterprise may discourage such investment. The instance concerns the political leadership's orientation and its resulting impact on business opportunities.

Step 3: Conclusion Two instances are postponement of expansion because of political instability, and increased investment or entry into new fields when the government becomes more supportive of private enterprise.

Quick Tip to Solve: Give each instance as a clear chain: political change, then the resulting business decision or effect.

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

Solution:

Concept:

- The term management can denote the group of people who are entrusted with managerial authority and responsibility in an enterprise.
- In this sense, management refers to the managers at different levels who direct and coordinate the work of others towards common objectives.

Step 1: Identify the people covered by the term **Managers as a collective group:** Management includes those who have responsibility for planning, organising, staffing, directing and controlling the activities of the enterprise. This group may include top executives, departmental heads and supervisors. They occupy managerial positions and have the authority needed to guide the work entrusted to them.

Step 2: Explain their common responsibility **Responsibility for enterprise performance:** These people coordinate human and other resources and get work accomplished through the efforts of others. Although their duties differ by level, they work towards common organisational objectives and are accountable for the performance of their respective areas. Thus, an expression such as "the management has decided" refers collectively to the persons taking managerial decisions.

Step 3: Conclusion As a group of people, management means the managers who hold authority and responsibility for directing, coordinating and controlling the enterprise's activities to achieve its

objectives.

Quick Tip to Solve: When management is used as a group, identify who manages and what responsibility they carry, rather than only defining the process.

6. 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 planned effort to build and maintain favourable relations between an enterprise and its various publics, including customers, employees, investors and the community.
- Public relations professionals influence opinion by communicating credible information about the organisation and by associating it with socially useful activities. Three methods are explained below.

Step 1: Use news and press relations **Press relations:** The public relations department prepares factual press releases and maintains contact with journalists so that significant developments receive favourable coverage. For example, information about a new product, an achievement or a community project can be supplied to newspapers and other news media. Such coverage helps people learn about the enterprise through a source they may regard as credible.

Step 2: Communicate through publications **Publications:** Annual reports, brochures, newsletters and house magazines explain the enterprise's activities, performance and policies to its different publics. Clear, accurate and regular information reduces misunderstanding and helps create confidence in the organisation. An annual report, for instance, enables investors to understand its results and future direction.

Step 3: Participate in public service activities **Public service activities:** An enterprise can support education, health, environmental protection or other community welfare programmes. Public relations professionals communicate its actual contribution and organise suitable activities. Responsible involvement in community needs develops goodwill and shows that the enterprise is concerned with society as well as its own business.

Step 4: Conclusion Press relations, publications and public service activities are three methods through which public relations professionals can inform the public, develop goodwill and shape a favourable image of a business enterprise.

Quick Tip to Solve: Name a distinct public relations tool, then explain how it informs people or builds goodwill; do not merely list advertising media.

7. "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 people so that they willingly work towards organisational objectives. Motivation stimulates people to act in a desired manner to satisfy needs and achieve goals.
- Yes, leadership is a source of motivation. A good leader develops willingness and enthusiasm rather than relying only on the authority to issue orders. The following three reasons support the statement.

Step 1: Identify and satisfy employees' needs **Understanding needs:** A leader maintains personal contact with employees and understands their needs, aspirations and difficulties. The leader can encourage suitable rewards, recognition and opportunities for development, linking individual interests with organisational goals. Employees then have a positive reason to put effort into their work instead of performing it merely under compulsion.

Step 2: Build confidence through guidance and support **Guidance and confidence:** A leader explains objectives, clarifies what employees are expected to do and helps them overcome work problems. Encouragement and constructive feedback reduce uncertainty and the fear of failure. When employees understand their tasks and feel supported in performing them, their confidence and willingness to accept responsibility increase.

Step 3: Inspire willing effort by personal example **Inspiration and team spirit:** A committed and fair leader sets an example through conduct, appreciates good performance and gives employees a sense of belonging. This develops trust, morale and cooperation within the group. Employees are inspired to work enthusiastically towards a shared goal, and their effort extends beyond mechanical obedience to instructions.

Step 4: Conclusion Leadership is a source of motivation because it addresses employees' needs, builds their confidence through guidance and inspires willing effort and teamwork. Effective leadership therefore helps convert ability into purposeful performance.

Quick Tip to Solve: Begin with your agreement, then link each leadership action to its effect on employees' willingness, confidence or enthusiasm.

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

Solution:

Concept:

- Price is the amount that a buyer pays for a product. Pricing decisions must reconcile the enterprise's costs and objectives with customers' willingness to pay and prevailing market conditions.
- Price cannot be fixed merely by adding an arbitrary profit to cost. The following three factors help management assess whether a proposed price is viable and acceptable in the market.

Step 1: Consider the cost of the product **Product cost:** The firm considers the costs of producing, distributing and selling the product, including fixed and variable costs. In the long run, revenue must normally cover total costs and provide a reasonable return for the business to survive. Cost therefore provides an important basis for deciding the minimum sustainable price, although the firm must also consider demand and competition.

Step 2: Assess utility and consumer demand **Utility and demand:** Customers compare the satisfaction or benefits expected from the product with the price charged. Their perception of its value and their purchasing power influence the price they will accept. The firm also considers price elasticity: where demand is highly price-sensitive, even a small price rise may cause a large fall in sales; relatively inelastic demand gives greater pricing freedom.

Step 3: Examine the extent of competition **Competition in the market:** The prices, quality and features of competing products and available substitutes influence the firm's price. Intense competition limits the scope for charging substantially more without offering additional value. Where a product has distinctive benefits and fewer close substitutes, the firm may have greater freedom to set its price, subject to customers' willingness to buy.

Step 4: Conclusion Product cost, utility and consumer demand, and the extent of competition are three major factors considered in fixing a product's price. A suitable price must be financially sustainable and consistent with the value customers perceive and market alternatives.

Quick Tip to Solve: Explain cost as the sustainability constraint, demand as buyers' willingness to pay, and competition as the pressure from alternative products.

9. 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 social relationships rather than the prescribed official chain of command. Its network is commonly called the grapevine.
- Such communication has advantages both for members and for management when it supplements the formal system. The following three advantages are set out from both viewpoints.

Step 1: Recognise the advantage of rapid information flow **Speed:** For members, information passes quickly across personal contacts without waiting for every official stage, helping them remain informed about matters affecting their work. For management, this fast network can help communicate information promptly and obtain early reactions from employees. Its usefulness depends on accuracy, since speed alone does not make a message reliable.

Step 2: Recognise the advantage of social support and cooperation **Social satisfaction and co-operation:** For members, friendly exchanges satisfy social needs and create a sense of belonging, mutual trust and emotional support. Employees can share concerns freely with people they know. For management, these relationships can strengthen team spirit, morale and cooperation, making it easier to secure willing participation in organisational activities.

Step 3: Recognise the advantage of feedback and supplementary information **Feedback and bridging gaps:** For members, informal contacts provide an opportunity to express feelings and seek clarification when formal messages are incomplete or difficult to understand. For management, the grapevine indicates employees' attitudes and reactions to policies and decisions, revealing issues that may not appear through formal channels. Managers can then clarify misunderstandings and improve communication.

Step 4: Conclusion Informal communication provides rapid information, social satisfaction and cooperation, and useful feedback that supplements formal communication. These advantages benefit both organisational members and management, although messages should be checked to prevent rumours from being treated as facts.

Quick Tip to Solve: For each advantage, state the employee benefit and the corresponding management benefit so that both viewpoints in the question are covered.

10. Explain any three reasons as to why the proper understanding of management principles is necessary. [3 marks]

Solution:

Concept:

- Principles of management are general guidelines for managerial decisions and behaviour, developed through observation and experience.
- Their proper understanding helps a manager apply accumulated knowledge intelligently to the circumstances of an organisation; they are flexible guidelines rather than rigid rules.

Step 1: Explain how principles improve managerial understanding **Providing managers with useful insights into reality:** Management principles explain relationships between actions and their likely results. Managers can learn from the experience of others instead of discovering every lesson through costly trial and error. For example, understanding unity of command helps a manager avoid the confusion and conflicting orders that arise when one employee reports to several superiors.

Step 2: Explain how principles improve the use of resources **Optimum utilisation of resources and effective administration:** An understanding of principles enables managers to organise human and material resources with minimum waste. Division of work, for example, develops specialisation and improves efficiency. Clear authority, responsibility and orderly procedures also make administration more effective, so effort is directed towards organisational objectives rather than duplicated or wasted.

Step 3: Explain how principles support sound decisions **Scientific decisions:** Principles provide a logical basis for evaluating alternatives and anticipating consequences. Managers can examine the facts of a situation and use established managerial knowledge instead of relying only on personal bias or guesswork. Because principles are general and flexible, the manager must still consider the particular circumstances before choosing the most suitable action.

Step 4: Conclusion Proper understanding of management principles is necessary because it gives managers useful insights, helps them utilise resources and administer effectively, and provides a rational basis for scientific decision-making.

Quick Tip to Solve: State a significance heading and then explain its benefit to a manager; a principle such as division of work can illustrate the benefit but should not replace it.

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

Solution:

Concept:

- The Securities and Exchange Board of India (SEBI) regulates the securities market to secure orderly dealings and the observance of prescribed rules.
- Regulatory functions establish rules, register and supervise market participants, and check compliance. They are distinguished from development measures such as training intermediaries and protection measures such as investor education.

Step 1: State the functions concerning market rules and intermediaries **1. Framing rules and codes of conduct:** SEBI frames rules, regulations and codes of conduct to regulate the activities of securities-market intermediaries. These provide standards under which participants must conduct their securities business.

2. Registration and regulation of intermediaries: SEBI registers and regulates stockbrokers, sub-brokers, share-transfer agents, merchant bankers, underwriters and other intermediaries associated with the securities market. Registration brings their activities within its regulatory supervision.

Step 2: State the functions concerning investment schemes and compliance **3. Registration and regulation of collective investment schemes:** SEBI registers and regulates the working of collective investment schemes, including mutual funds. It lays down requirements for their operation and supervises compliance so that these schemes function within the prescribed framework.

4. Inspection, inquiries and audits: SEBI conducts inspections and inquiries into stock exchanges and securities-market intermediaries and undertakes audits as required. These checks enable it to examine whether the organisations concerned are observing securities-market regulations and the conditions under which they operate.

Step 3: Conclusion Four regulatory functions are framing rules and codes of conduct, registering and regulating market intermediaries, registering and regulating collective investment schemes including mutual funds, and conducting inspections, inquiries and audits of stock exchanges and intermediaries.

Quick Tip to Solve: For regulatory functions, recall rules, registration and compliance checks. Keep investor education and training of intermediaries under their appropriate protective and developmental headings.

12. 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: the money market and capital market are separate segments serving different financing needs.
- The money market deals in short-term funds and instruments with a maturity of up to one year; the capital market provides medium-term and long-term finance, including ownership funds.

Step 1: Explain why both markets cannot be treated as identical I would explain to my friend that both markets bring together suppliers and users of funds, but their common purpose does not make them the same market. The duration of finance, securities traded, participants and investment risk distinguish them. The following four comparisons establish the difference.

Step 2: Compare the markets on four bases

Basis	Money market	Capital market
Duration of funds	Provides short-term finance for periods up to one year, such as temporary working-capital needs.	Provides medium-term and long-term finance for investment and expansion; equity capital has no fixed maturity.
Instruments	Deals in instruments such as Treasury bills, commercial paper, call money and certificates of deposit.	Deals in securities such as equity shares, preference shares, debentures and bonds.
Participants	Major participants include the Reserve Bank of India, commercial banks, financial institutions and large companies.	Participants include financial institutions, banks, companies and individual investors, including retail investors.
Risk	Instruments are generally safer because of their short maturity and the financial standing of their issuers; this does not mean every instrument is risk-free.	Investment generally involves greater risk, including price fluctuations and uncertainty over returns, particularly in equity shares.

Step 3: Conclusion Thus, the money market and capital market are distinct in the duration of funds, instruments, participants and risk. A company seeking temporary funds uses the money market, whereas long-term expansion may be financed through capital-market securities.

Quick Tip to Solve: Use the same basis in both columns: compare maturity with maturity and instruments with instruments, rather than listing unrelated features.

13. 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:

- Principles of Management: Henri Fayol's principle of equity requires managers to treat employees with kindness and justice.
- Fair and impartial treatment develops employees' loyalty and devotion. Equity combines sympathetic treatment with fair application of organisational rules.

Step 1: Identify the principle from the description

- **Equity:** The principle is equity. The words "kind, fair and just treatment" indicate that management must deal with employees impartially and humanely. Employees who feel respected are more willing to cooperate and devote their efforts to organisational objectives.
- **Kindness with justice:** A manager should understand employees' difficulties and treat them courteously, while applying rules fairly. Kindness does not mean overlooking every mistake or abandoning discipline; reasonable firmness may be necessary to ensure justice to everyone.

Step 2: Explain its application with a suitable example

- **Absence of discrimination:** Employees should not receive favourable or unfavourable treatment because of religion, caste, sex, nationality or personal closeness to a manager. Decisions concerning rewards and opportunities should rest on relevant criteria, such as ability, performance and responsibility.
- **Example:** Suppose two employees perform the same duties equally well. Their manager assesses them by the same performance standards and gives them equal opportunities for training and advancement, instead of favouring a relative. If either faces a genuine personal difficulty, the manager listens sympathetically and considers leave under the same fair policy. This combination of impartiality and kindness builds trust, loyalty and devotion.

Step 3: Conclusion Fayol's principle of equity aims to secure employees' loyalty through kind, fair and just treatment. Applying objective standards without personal prejudice, while showing reasonable concern for employees, demonstrates this principle in practice.

Quick Tip to Solve: Link "kindness plus justice" to equity. Explain both impartial decisions and humane treatment in the example; mere strictness does not show the whole principle.

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

Solution:

Concept:

- Delegation means entrusting a subordinate with a part of a manager's work and giving the subordinate the authority needed to carry it out.
- Its three elements are authority, responsibility and accountability. These connect the power to act, the duty to perform and the obligation to answer for results.

Step 1: Assign the duty and explain responsibility **Responsibility:** The superior first identifies the work to be done, assigns it to a subordinate and specifies the expected results. Responsibility is the subordinate's obligation to perform that assigned duty properly. For example, a sales manager may assign a salesperson the duty of meeting customers in a particular area. Responsibility arises from the superior-subordinate relationship and flows upward in the sense that the subordinate owes performance to the superior.

Step 2: Grant the authority needed to perform the duty **Authority:** This is the right to give orders, take decisions and use resources to get the assigned work done. The superior transfers sufficient authority to the subordinate, within clearly stated limits. Thus, the salesperson may be authorised to negotiate prices within an approved range. Authority flows downward from the superior to the subordinate. It should be commensurate with responsibility: assigning a duty without the necessary decision-making power makes effective performance difficult.

Step 3: Establish answerability for the result **Accountability:** On accepting the assignment and authority, the subordinate becomes answerable to the superior for the final outcome. The superior evaluates performance against the agreed results and may require an explanation for deviations. Accountability flows upward and cannot be delegated away. Although the manager assigns work to

the salesperson, the manager remains ultimately accountable to his or her own superior for the sales department's performance.

Step 4: Link the three elements in one process **Interdependence:** Assignment of responsibility creates a duty, grant of authority provides the means to discharge it, and accountability ensures that the person reports and answers for the result. Delegation therefore transfers operational authority for assigned work, while preserving the superior's ultimate accountability. It is not an abdication of the manager's role.

Step 5: Conclusion Delegation involves assigning responsibility, granting matching authority and establishing accountability. These three elements must operate together for the subordinate to perform effectively and for the superior to retain control over results.

Quick Tip to Solve: Remember duty, power and answerability: responsibility is the duty, authority enables action, and accountability requires an explanation of the outcome.

15. 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 the time spent at work, such as hours or days, rather than on the number of units produced.
- Under the piece-rate system, wages depend on the number of acceptable units produced. It directly rewards higher measurable output and gives a stronger incentive to increase production.

Step 1: Choose the method for learners **(i) Time-rate:** The question states that the output of learners "cannot be expected to reach the minimum standard". Learners need time to acquire skill and speed, so their initial output is low. Paying for time gives them a stable wage while they are trained and allows them to concentrate on learning the correct method. Piece-rate payment could give them very low earnings and encourage them to hurry before they have mastered the work.

Step 2: Choose the method when effort determines output **(ii) Piece-rate:** There is a "clear relationship between efforts and output". The additional output achieved through a worker's extra effort can therefore be identified and rewarded through extra wages. This direct connection between productivity and earnings encourages efficient workers to increase output. A time-rate wage would ordinarily remain the same for the same working time, even when the worker produces more.

Step 3: Choose the method when units cannot be measured **(iii) Time-rate:** The question states that "units of output cannot be measured". A piece-rate wage requires a countable unit on which a payment per piece can be fixed. Where such a unit is unavailable, piece-rate earnings cannot be

calculated reliably. Time worked can still be recorded, making time-rate payment suitable for this situation; performance can be supervised and assessed separately.

Step 4: Choose the method when quantity is the priority **(iv) Piece-rate:** Here "quality is less important than quantity". Piece-rate payment encourages workers to produce more units because their earnings increase with output. It is suitable where speed and volume matter more than special care over each piece. Time-rate payment is more suitable when quality needs close attention and workers should not be encouraged to rush merely to increase the number of pieces.

Step 5: Conclusion The appropriate methods are: (i) time-rate, (ii) piece-rate, (iii) time-rate and (iv) piece-rate. The choice follows whether training and measurability favour payment for time, or whether measurable effort and quantity favour payment for output.

Quick Tip to Solve: Choose time-rate for learning or unmeasurable output; choose piece-rate when countable output responds to effort and higher quantity is the aim.

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

Solution:

Concept:

- Working capital finances day-to-day operations, such as buying materials, paying wages and holding stocks until sales proceeds are collected. Its requirement depends on the amount and duration of funds tied up in current assets.
- Financial management aims to provide sufficient working capital for uninterrupted operations while avoiding excessive idle funds. The following five factors help estimate the requirement.

Step 1: Examine the nature and scale of operations

- **Nature of business:** A manufacturing enterprise normally needs substantial working capital because it holds raw materials, work-in-progress and finished goods. A trading concern mainly finances finished stocks and debtors. A service enterprise that holds little inventory and receives payments promptly usually requires less working capital.
- **Scale of operations:** A larger volume of production and sales generally requires larger stocks, more cash for wages and other expenses, and a greater investment in debtors. Thus, other things being equal, a large enterprise requires more working capital in absolute terms than a small enterprise.

Step 2: Assess production time, credit terms and seasonal needs

- **Length of production cycle:** The longer the interval between purchasing materials and completing production, the longer funds remain blocked in work-in-progress before sales can generate cash. A long production cycle therefore increases working capital requirements; a short cycle reduces them.
- **Credit policy:** Liberal credit to customers delays collection and increases funds tied up in debtors, raising working capital needs. Cash sales or quick collections reduce them. Credit allowed by suppliers has the opposite effect: a longer payment period helps finance purchases and reduces the enterprise's own immediate working capital requirement.

- **Seasonal factors:** A business with seasonal demand must build stocks and finance higher production before and during its peak selling period. It consequently needs additional working capital in that period, whereas its requirement falls during the lean season. The estimate must accommodate this peak rather than merely an annual average.

Step 3: Conclusion Nature of business, scale of operations, production-cycle length, credit policy and seasonal fluctuations should therefore be examined when determining working capital. Each affects either the funds required for operations or the time taken to recover them in cash.

Quick Tip to Solve: For each factor, explain whether it increases or decreases funds blocked in stock, debtors or day-to-day expenses; this links the factor directly to working capital.

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

Solution:

Concept:

- Over-capitalisation is a situation in which a company's capital exceeds the amount justified by its earning capacity. Its earnings are inadequate to provide a normal return on the capital employed; it does not simply mean having surplus cash.
- Shareholders invest for dividend income and the value of their investment. Persistent inadequate earnings harm both, so over-capitalisation adversely affects shareholders in several ways.

Step 1: Explain the loss of income and investment value Yes, I agree with the statement. Over-capitalisation is a curse to shareholders for the following reasons:

- **Reduced dividend income:** Earnings are spread over capital that is excessive in relation to the company's earning power. The company cannot maintain a normal dividend rate, so shareholders receive lower or irregular dividends and may receive none when profits are insufficient.
- **Fall in the market value of shares:** Investors value shares partly on their expected earnings and dividends. Persistently low returns make the shares less attractive, causing their market price to fall. An existing shareholder who sells may consequently suffer a capital loss in addition to the reduction in income.

Step 2: Explain the further disadvantages to shareholders

- **Reduced value as security for loans:** Shares with a low market price and uncertain returns are less acceptable to lenders as collateral. Shareholders may obtain a smaller loan against them or find that lenders will not accept them, restricting their ability to raise funds on the investment.
- **Exposure to speculation and uncertainty:** Weak earning performance and uncertain dividend prospects encourage speculative dealings and fluctuations in share prices. Small shareholders may find it difficult to judge a fair price and can suffer losses when disposing of their holdings under unfavourable conditions.
- **Loss through financial reconstruction:** To correct over-capitalisation, a company may reorganise its capital, for example by reducing the paid-up value of shares or writing down shareholders' claims to absorb losses. Existing shareholders then bear a reduction in their capital interest; if the

company ultimately fails, their recovery may be still smaller after creditors are paid.

Step 3: Conclusion The statement is justified: over-capitalisation can reduce dividends, depress share prices, weaken the shares' value as loan security, expose holders to speculative losses and cause loss of capital on reconstruction. These consequences harm both shareholders' income and the security of their investment.

Quick Tip to Solve: Begin with inadequate earning capacity, then trace its effects on dividends, share prices and shareholders' capital. Keep the reasons focused on shareholders rather than on creditors or consumers.

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

[5 marks]

Solution:

Concept:

- Business environment comprises the external individuals, institutions and forces that affect an enterprise's performance. Understanding it means observing changes and assessing their implications for business decisions.
- Environmental awareness helps managers relate their organisation's resources and plans to opportunities, threats and changing conditions outside it.

Step 1: Explain the benefits for recognising opportunities and threats

- **Identify opportunities and gain first-mover advantage:** Changes in customers' needs, technology or government policy may create favourable openings. An enterprise that recognises an opportunity early can introduce a suitable product or service before competitors and establish its position in the market.
- **Identify threats and obtain early warning signals:** Environmental scanning reveals adverse developments such as a new competitor, an unfavourable regulation or a substitute product. Early information gives management time to prepare a response and reduce the damage instead of reacting only after sales or profits fall.

Step 2: Explain the benefits for resources, adaptation and planning

- **Tap useful resources:** A business obtains finance, labour, materials, machinery and other inputs from its environment. Knowing their availability and the expectations of their suppliers helps it secure appropriate resources. Understanding market requirements also helps it supply outputs that the environment will accept.
- **Cope with rapid changes:** Markets, technology and competitive conditions keep changing. Awareness of these changes enables the enterprise to modify its products, production methods and business practices in time. It therefore remains relevant instead of relying indefinitely on methods that have become outdated.
- **Assist in planning and policy formulation:** Reliable information about external conditions provides a sound basis for setting objectives and choosing future courses of action. Managers can frame realistic policies, anticipate constraints and revise plans when conditions change, improving the enterprise's prospects of achieving its goals.

Step 3: Conclusion Understanding the environment benefits business by revealing opportunities, warning of threats, helping obtain resources, enabling adaptation and improving planning. These benefits guide present decisions and help shape the future direction of the enterprise.

Quick Tip to Solve: Recall five headings: opportunities, threats, resources, change and planning. Explain how each improves a business decision rather than merely listing the heading.

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

Solution:

Concept:

- E. F. L. Brech's view treats management as the comprehensive process of planning and executive control of an enterprise's activities. Administration is a part of that wider process.
- Administration is concerned with establishing and operating procedures through which programmes are communicated and progress is regulated and checked against plans. It provides the procedural machinery for carrying managerial decisions into effect.

Step 1: Explain the wider scope of management

- **Management is comprehensive:** It embraces planning and executive control of the enterprise as a whole. Managers decide the course of action, organise and coordinate activities, and ensure that the enterprise advances towards its objectives. Administration operates within this broader managerial framework.
- **Administration establishes procedures:** Once management has determined a programme, administrative arrangements specify how it will be put into operation. Procedures define the channels, records and routines needed for orderly work. These arrangements support the programme rather than independently determine the enterprise's overall direction.

Step 2: Explain the administrative contribution to implementation and control

- **Communicate programmes:** Administration provides procedures for conveying approved programmes and instructions to the people responsible for carrying them out. Clear communication tells departments what work is expected and how their activities fit into the planned programme.
- **Regulate and check progress:** Administrative procedures collect information about work performed and compare progress with plans. Reports and records reveal delays or departures from the programme, enabling management to exercise executive control and decide what corrective action is needed.
- **Operate as a subordinate component:** Administrative machinery serves the plans and control requirements of management. For example, if management adopts a production programme, administration arranges its circulation, the necessary reporting routines and progress records. Management then uses those reports to review performance and direct corrective action. Thus, the procedures are essential but form only one aspect of managing the enterprise.

Step 3: Conclusion According to Brech's view, management covers the complete process of planning and executive control, while administration supplies and operates the procedures for communicating programmes and regulating and checking their progress. Administration therefore has a narrower,

supporting scope and is a part of management.

Quick Tip to Solve: For Brech's view, link administration to procedures, communication and progress checks; place these within management's wider planning and executive control.

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

Solution:

Concept:

- Controlling means comparing actual performance with planned standards, identifying deviations and taking corrective action so that organisational objectives are achieved.
- Its importance lies in making plans effective, improving the use of resources and guiding employees towards the desired results. It operates at every level of management.

Step 1: Explain how controlling supports goals and standards

- **Accomplishing organisational goals:** Controlling measures progress towards planned objectives and brings deviations to the manager's notice. Corrective action then puts activities back on the intended course. For example, if production falls below its target, management can identify and remove the cause of the shortfall rather than allow the target to remain merely a plan.
- **Judging the accuracy of standards:** Comparing actual results with standards helps managers assess whether the standards themselves are realistic and appropriate. A persistent deviation may indicate an unsuitable standard or a change in business conditions. Managers can review such standards on evidence and make future plans more reliable.

Step 2: Explain how controlling improves resources and employee effort

- **Making efficient use of resources:** Performance is checked against predetermined standards, so waste, spoilage and avoidable expenditure can be detected. Correcting inefficient methods helps the enterprise use materials, machines, money and human effort economically. Thus, the same resources can contribute more effectively to the planned output.
- **Improving employee motivation:** Clear performance standards tell employees what work is expected and how their performance will be assessed. When achievements are evaluated fairly against known standards, employees can direct their efforts towards the required results. Recognition of good performance and guidance on shortcomings encourage better work.
- **Ensuring order and discipline:** A sound control system checks adherence to organisational rules, procedures and authorised limits. It helps detect and discourage dishonest practices, misuse of resources and irresponsible behaviour. Employees become more accountable for their work, promoting an orderly working environment.

Step 3: Conclusion The five points are accomplishment of organisational goals, judgement of the accuracy of standards, efficient use of resources, improved employee motivation, and order and discipline. Through these benefits, controlling connects planned performance with actual results and enables timely correction.

Quick Tip to Solve: Link each benefit to what control actually does: set a standard, compare performance, identify a deviation and correct it. Explain five distinct benefits rather than repeating the definition.

21(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 an organisation structure. It involves obtaining suitable employees and developing their abilities for organisational work.
- The staffing process begins by determining the people needed and proceeds through recruitment, selection, placement and development. The following are six steps in this process, stated in their logical order.

Step 1: Determine requirements and obtain suitable candidates

- **Estimating manpower requirements:** Management determines how many employees are required and what qualifications, skills and experience each job needs. Workload analysis indicates the number and types of employees necessary, while workforce analysis examines the employees already available. Comparing the two reveals shortages or surpluses and provides the basis for staffing decisions.
- **Recruitment:** The organisation searches for prospective employees and encourages suitable people to apply for vacant positions. It may use internal sources, such as promotion and transfer, or external sources, such as advertisements and employment exchanges. Recruitment creates a pool of applicants from which the required employees can be selected.
- **Selection:** Applicants are assessed to choose those whose abilities and qualifications best match the job requirements. Depending on the post, the organisation may screen applications, conduct tests and interviews, check references and examine medical fitness. Selection results in the appointment of suitable candidates and the rejection of those who do not meet the requirements.

Step 2: Settle employees into jobs and develop their performance

- **Placement and orientation:** Placement assigns the selected employee to an appropriate job. Orientation introduces the employee to colleagues, the workplace, organisational policies and the duties and responsibilities of the post. This helps the new employee settle into the organisation and understand how to perform the assigned work.
- **Training and development:** Training improves the knowledge and skills needed to perform the present job effectively, while development prepares employees for broader responsibilities and future growth. Appropriate on-the-job or off-the-job programmes help employees overcome skill gaps, improve competence and adapt to changing methods and technology.
- **Performance appraisal:** Management systematically evaluates an employee's actual performance against predetermined standards. The appraisal identifies strengths and shortcomings and provides feedback for improvement. It also supplies information useful for decisions about further training, promotion and other personnel matters, making staffing an ongoing process rather than an activity that ends at appointment.

Step 3: Conclusion Six steps in staffing are estimating manpower requirements, recruitment, selection, placement and orientation, training and development, and performance appraisal. Together, these steps help ensure that appropriate people are appointed, effectively introduced to their jobs and supported in improving their performance.

Quick Tip to Solve: Remember the sequence: determine the need, invite applications, choose candidates, place and introduce them, train them, then assess performance. Keep recruitment distinct from selection.

OR

21(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 improving employees' knowledge, skills and abilities for performing their particular jobs effectively.
- Training is needed both to equip employees for present work and to enable them to respond to changes in methods, equipment and responsibilities. Its benefits accrue to the enterprise as well as to employees.

Step 1: Explain how training improves present job performance

- **Increase productivity and improve quality:** Training teaches employees the correct methods of doing their work. Better job knowledge and practical skills enable them to complete tasks more efficiently and produce output of a more consistent standard.
- **Reduce wastage and operating costs:** Untrained workers may learn by repeated mistakes, wasting materials, time and effort. Systematic training reduces such trial and error and teaches proper handling of machines and materials, making operations more economical.
- **Reduce accidents and equipment damage:** Employees need to know safety procedures and the correct use of tools and machinery. Training develops these habits and skills, reducing avoidable injuries, machine breakdowns and losses caused by careless operation.

Step 2: Explain how training prepares employees and supports management

- **Meet technological and procedural changes:** New equipment, computer systems and production methods can make existing skills inadequate. Training updates employees' knowledge so that they can use changed methods confidently instead of continuing obsolete practices.
- **Reduce the need for close supervision:** A trained employee understands the job, its expected standard and the procedure for carrying it out. Such employees can perform routine duties with less continuous guidance, allowing supervisors to devote more attention to coordination and exceptional problems.
- **Improve morale and career prospects:** Mastery of a job builds confidence and a sense of competence, reducing frustration arising from inability to perform. Improved skills also prepare employees for greater responsibility and promotion, benefiting their development and helping the organisation obtain capable personnel internally.

Step 3: Conclusion Training is therefore needed to improve productivity and quality, reduce waste, prevent accidents, adapt to change, reduce close supervision and develop confident employees for greater responsibility. These six reasons show why it is a continuing investment in employees' effectiveness.

Quick Tip to Solve: Organise the six reasons around output, cost, safety, change, supervision and employee development; explain the link between training and each benefit.

22(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 prospective customers and also attempts to persuade them to buy.
- The statements raise two objections to advertising: the confusion produced by competing claims and the objectionable content of some advertisements. Their validity must be assessed separately rather than treating every advertisement as misleading or offensive.

Step 1: Assess whether advertising confuses rather than helps

- **Competing superiority claims can confuse:** Different producers often describe their own brand as the best, most effective or most economical. When several brands of the same product make such claims, a consumer may find it difficult to determine which is actually suitable. To this extent, the objection is justified.
- **Persuasive presentation may obscure useful comparisons:** Exaggerated promises, emotional appeals and repeated slogans can divert attention from relevant features, limitations and value for money. A buyer relying only on these appeals may be confused instead of making an informed comparison.
- **Advertising also provides useful information:** The criticism cannot be accepted as a general rule. Advertisements inform buyers about available products, their uses, features, prices and sources of supply. Consumers can compare this information, exercise their judgement and select according to their needs. Clear and truthful advertising therefore helps rather than necessarily confuses.

Step 2: Assess whether some advertisements are in bad taste

- **Obscene or indecent presentation is objectionable:** An advertisement may use vulgar language or suggestive pictures unrelated to the product merely to attract attention. Such presentation can offend viewers and supports the statement that some advertisements are in bad taste.
- **Disrespectful portrayals can offend:** Advertisements that demean women, ridicule a group or disregard accepted social and cultural values can hurt people's feelings. These methods are objectionable even if they succeed in making the brand noticeable.
- **The objection concerns particular advertisements:** The word "some" is significant: many advertisements present useful messages in a dignified manner. Moreover, audiences may differ in what they consider tasteful. Advertisers should therefore use responsible content and sensitivity to their audience rather than assume that attracting attention justifies an offensive message.

Step 3: Conclusion I agree that competing or exaggerated advertisements can confuse consumers, but the claim that advertising generally confuses rather than helps is too sweeping because truthful advertising supplies useful information. I also agree that some advertisements are in bad taste when their language, images or portrayals are indecent or offensive; this criticism does not apply to all advertising.

Quick Tip to Solve: Discuss each quoted objection separately: state the reason for accepting it, then distinguish a fault in particular advertisements from advertising as a whole.

OR

22(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, non-personal promotional message reaches prospective buyers. Examples include newspapers, magazines, radio, television and outdoor displays.
- The medium must suit the product, the intended audience and the communication objective. A large audience alone does not make a medium effective if most of its members are unlikely buyers.

Step 1: Match the medium to the product and audience

- **1. Nature of the product:** Choose a medium that can present the product's important features. A product whose use needs a visual demonstration may be advertised through television, while a product requiring detailed specifications may be better explained in print. The medium must convey the benefit the buyer needs to understand.
- **2. Target customers:** Consider the buyers' age, education, income, interests and media habits. A newspaper advertisement can reach readers, whereas radio can communicate with people who cannot read. A specialised magazine is suitable when its readership closely matches a particular customer group.
- **3. Geographical coverage and circulation:** Select a medium whose reach matches the area in which the product is available. A local shop may use a local newspaper or outdoor display, while a nationwide brand may need national television or widely circulated publications. Verify actual circulation and audience reach rather than paying for coverage outside the intended market.

Step 2: Compare the message requirements, cost and competition

- **4. Nature of the advertising message:** The medium should suit the message's length, urgency and form. A short reminder can work on a billboard, but technical details need a medium in which readers can study them. Sound, colour, movement and the possibility of retaining the message should be considered according to what the advertisement must communicate.
- **5. Cost and advertising budget:** Compare the expense of preparing and placing the advertisement with the funds available. Consider cost in relation to the number of relevant customers reached and the repetition needed. A medium with a low total charge may still be wasteful if very few prospective customers receive the message.
- **6. Competitors' media choices:** Study where competing products are advertised and how effectively those media reach buyers. This can indicate useful channels and the level of competitive advertising clutter. The firm should choose a medium that gives its message adequate attention, rather than copying a competitor without considering its own objectives and resources.

Step 3: Conclusion The six relevant factors are the nature of the product, target customers, geographical coverage and circulation, nature of the message, cost and budget, and competitors' media choices. Together, these help select a medium that delivers the required message economically to prospective buyers.

Quick Tip to Solve: For each factor, explain its effect on the medium: who must receive the message, where they are, what must be shown or explained, and what the firm can afford.

23(a). Explain the following rights of consumers : [6 marks]

23(a)(i). The Right to basic needs,

Solution:

Concept:

- Consumer protection recognises the right to basic needs: access to essential goods and services required for survival and a dignified life.
- Basic needs include adequate food, clothing, shelter, health care, education, safe drinking water and sanitation.

Step 1: Explain the entitlement **Access to essentials:** Every consumer has the right to obtain the goods and services necessary to meet fundamental human needs. The right concerns necessities of life, rather than luxuries or merely having a large choice of brands. For example, sufficient nutritious food and safe drinking water meet basic needs.

Step 2: Explain its significance **An adequate standard of living:** Essential goods and services should be available and accessible so that people can maintain health and live with dignity. Shelter, basic medical care and education are therefore included alongside food and clothing. Recognising this right draws attention to the needs of consumers who may otherwise be excluded from essential supplies and services.

Step 3: Conclusion The right to basic needs means the consumer's right to essential goods and services necessary for survival, health and a dignified standard of living.

Quick Tip to Solve: Link basic needs with necessities such as food, shelter and health care; distinguish them from luxury products or a wider choice of brands.

23(a)(ii). The Right to safety, and

Solution:

Concept:

- The right to safety protects consumers against goods and services that are hazardous to life and health.
- Safety requires suitable product quality, safe operation and adequate precautions, especially for goods whose defects can cause serious injury.

Step 1: Explain the protection **Protection from hazards:** A consumer has the right to be protected against the marketing of goods and services that endanger life or health. A product should be safe for its intended use when the stated instructions and precautions are followed. For example, an electrical appliance should have proper insulation so that normal use does not expose the user to an electric shock.

Step 2: Relate the right to buying and use **Safe quality and precautions:** Producers should meet applicable safety standards and provide necessary warnings and directions. Consumers should examine safety information and look for appropriate quality certification, such as the ISI mark on relevant industrial products. Reading instructions and checking safety features helps the consumer

avoid preventable harm; such care supports the right without removing the producer's responsibility to supply a safe product.

Step 3: Conclusion The right to safety entitles consumers to protection against hazardous goods and services, so that consumption does not threaten their life or health.

Quick Tip to Solve: Explain safety through a concrete hazard, such as electric shock from an appliance, and link it to standards, warnings and safe use.

23(a)(iii). The Right to redressal of grievances

Solution:

Concept:

- The right to seek redressal entitles a consumer to obtain relief against unfair trade practices, restrictive trade practices and exploitation.
- Appropriate relief addresses a genuine consumer grievance, such as defective goods, deficient services or a loss caused by the trader's wrongdoing.

Step 1: Explain the right to obtain relief **Remedy for a grievance:** A consumer is entitled to seek redress when goods or services do not meet the promised or required standard, or when an unfair trade practice causes harm. The consumer need not silently accept defective goods or deficient service. For example, a buyer receiving a defective appliance can ask the seller to remedy the defect.

Step 2: State the forms of redressal **Appropriate corrective action:** Depending on the grievance, relief can include removal of defects, replacement of the goods, refund of the price or compensation for the loss or injury suffered. A consumer whose legitimate complaint is not resolved can approach the appropriate consumer redressal forum. Keeping the cash memo and other evidence helps establish the purchase and supports the complaint.

Step 3: Conclusion The right to redressal of grievances means the right to seek a fair remedy, including replacement, refund or compensation where appropriate, for consumer exploitation and genuine complaints.

Quick Tip to Solve: Connect redressal with the remedy sought: repair, replacement, refund or compensation. Mention evidence such as the purchase receipt to support a complaint.

OR

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

Solution:

Concept:

- Consumer protection requires consumers to exercise their rights responsibly. An informed and alert buyer can prevent exploitation and provide evidence when seeking a remedy.
- Consumer responsibilities include awareness, checking quality and safety, observing product

information and retaining proof of purchase. The following four responsibilities apply before, during and after buying.

Step 1: Become informed before buying **Be aware of goods, services and consumer rights:** A consumer should gather information about the products available, their prices, quality and the remedies available against unfair practices. Comparing alternatives helps the buyer choose a product that meets the actual need instead of accepting a seller's unsupported claim. Awareness also enables the consumer to recognise misleading advertisements, overcharging and defective goods and to raise a complaint when necessary.

Step 2: Prefer products with recognised quality certification **Buy standardised goods:** Wherever applicable, choose products bearing recognised quality marks, such as the ISI mark for relevant industrial products and AGMARK for agricultural products. Such certification indicates conformity with specified quality standards and reduces the risk of unsafe or substandard purchases. The consumer should check the mark on the product or package rather than rely only on a verbal assurance by the seller.

Step 3: Read labels and follow safety instructions **Examine product information carefully:** Read the label for the price, quantity, manufacture and expiry dates, ingredients and directions for use, as applicable. Check that the package is intact and that the product is suitable for its intended use. Follow the manufacturer's instructions and precautions during use, storage and maintenance. For example, using a medicine after its expiry date or ignoring an appliance's safety directions can cause harm even when the original purchase was satisfactory.

Step 4: Obtain and preserve proof of purchase **Insist on a cash memo or bill:** The consumer should obtain a proper bill stating the goods or services purchased, the price and the seller's particulars. Keep it together with any warranty or guarantee documents. These records establish the transaction and support a request for repair, replacement, refund or compensation if the goods are defective or the service is deficient. Without documentary proof, establishing the purchase and pursuing a grievance becomes more difficult.

Step 5: Conclusion Four responsibilities of a consumer are to be informed, prefer standardised goods, read and obey product information and safety instructions, and obtain and preserve a bill. Responsible buying helps prevent exploitation and makes the exercise of consumer rights more effective.

Quick Tip to Solve: Organise the four responsibilities around the purchase: research first, check certification and labels, then keep the bill. Explain the protection provided by each action.

24(a). Explain briefly any six steps in the formulation of a plan. [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 will do it. A plan provides a course of action for achieving objectives.
- Formulating a plan requires a logical movement from objectives and assumptions to the comparison and choice of alternative courses. The following are six steps in the planning process.

Step 1: Set the objectives **Setting objectives:** First specify the results the organisation wants to achieve. Objectives should be clear, attainable and, wherever possible, measurable and time-bound. They guide the work of departments and individuals and provide the basis for choosing a course of action. For example, a business may decide to increase sales by a stated percentage during the next year.

Step 2: Develop planning premises **Developing premises:** Establish the assumptions about the future conditions under which the plan will operate. These may concern market demand, prices, competition, government policy and the resources available to the organisation. Managers use forecasts and relevant information to make these assumptions. A common set of premises helps different departments prepare consistent plans rather than work on conflicting expectations.

Step 3: Identify alternative courses of action **Identifying alternatives:** Find the different ways in which the objectives can be achieved. Managers should consider feasible alternatives instead of treating the first idea as the only possibility. For instance, increased sales might be sought by entering a new market, improving distribution or strengthening promotion. Identifying alternatives broadens the choices available for a sound decision.

Step 4: Evaluate the alternatives **Evaluating alternatives:** Compare each possible course in the light of the objectives and planning premises. Examine its expected benefits, costs, risks, resource requirements and likely consequences. Both quantitative information and qualitative factors, such as employee acceptance, may be relevant. The evaluation reveals the advantages and limitations of each alternative and whether it can be carried out with the resources available.

Step 5: Select the best alternative **Selecting an alternative:** Choose the course that best serves the objectives under the expected conditions. The preferred alternative should offer a suitable balance of benefits, costs and risks, rather than merely appear cheapest. Sometimes a combination of alternatives is appropriate. This choice converts the consideration of possibilities into a definite decision about the course the organisation will follow.

Step 6: Put the plan into action **Implementing the plan:** Translate the chosen course into concrete action. Allocate resources, assign duties and communicate instructions and schedules to the people responsible. Supporting departmental plans should be coordinated with the overall plan. For example, a decision to expand production requires arrangements for equipment, materials and personnel. Implementation ensures that the plan becomes actual work rather than remaining only a written proposal.

Step 7: Conclusion Six steps are setting objectives, developing premises, identifying alternatives, evaluating alternatives, selecting the best alternative and implementing the plan. Together they provide a reasoned path from the desired result to organised action.

Quick Tip to Solve: Remember the sequence: objectives, premises, alternatives, evaluation, selection and implementation. Explain what managers do at each stage rather than listing the headings alone.

OR

24(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 decisions and activities rather than being prepared afresh for each routine situation.
- A policy gives a general guideline for decision-making, whereas a procedure specifies the sequence of activities for carrying out a task.

Step 1: Explain a policy as a general guide **Policy:** A policy is a general statement that guides thinking and channels managerial decisions towards the objectives of the enterprise. It defines the broad boundaries within which a manager may exercise judgement. It does not prescribe every action in detail.

For example, a policy of giving preference to internal candidates for promotion guides the choice of a source of recruitment. Managers still assess eligibility and suitability when applying that policy. Thus, a policy promotes consistency while leaving room for discretion within its limits.

Step 2: Explain a procedure as an ordered method **Procedure:** A procedure lays down the routine steps, in their chronological order, through which a particular task is to be performed. It tells employees how to proceed and makes recurring work systematic.

For example, a recruitment procedure may require receiving applications, screening them, conducting tests and interviews, checking references and then issuing appointment letters. Each stage has its place in the sequence, reducing confusion and omissions. A procedure may help implement a policy, but the two are different types of plans.

Step 3: Distinguish the plans on four bases

Basis	Policy	Procedure
Nature	A broad guideline for managerial thinking and decisions.	A prescribed sequence of steps for performing a task.
Purpose	Ensures that decisions remain consistent with organisational objectives.	Ensures that recurring activities are performed systematically and uniformly.
Discretion	Allows judgement and choice within stated boundaries.	Leaves relatively little discretion about the prescribed sequence and manner of work.
Sequence	Does not necessarily specify the chronological order of actions.	Explicitly arranges actions in the order in which they must be performed.

Step 4: Conclusion A policy guides what managers should consider when deciding; a procedure specifies how a task is to be carried out step by step. Their nature, purpose, scope for discretion and use of chronological sequence distinguish these standing plans.

Quick Tip to Solve: Use "guideline for decisions" for policy and "ordered steps for action" for procedure; then compare both on the same four named bases.

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

[6 marks]

Solution:

Concept:

- Organising is the management function that translates a plan into a workable arrangement of tasks, people, resources and authority relationships.
- Its process involves identifying and dividing work, grouping related activities, assigning duties, and establishing authority and reporting relationships.

Step 1: State the meaning of organising **Meaning:** Organising is the process of identifying and grouping the activities to be performed, assigning duties to people, and establishing authority and responsibility relationships among them so that they can work together effectively towards organisational objectives.

Planning states what is to be achieved; organising provides the structure for carrying out that plan. It clarifies each person's work, authority and responsibility.

Step 2: Identify and divide the work **Identification and division of work:** First identify all activities required to implement the plan and divide the total work into manageable jobs. Division makes responsibilities specific, avoids unnecessary duplication and permits specialisation.

For example, a business planning to manufacture and sell garments must identify purchasing fabric, cutting, stitching, checking quality, selling and maintaining accounts. These are separate tasks even though they contribute to the same business objective.

Step 3: Group related activities into departments **Departmentalisation:** Group similar or related jobs into departments to make coordination easier. Activities can be grouped by function, such as production, marketing and finance, or by product when the enterprise's circumstances call for it.

In the garment example, cutting, stitching and quality checking may be placed in the production department, while selling and promotion belong to marketing. Related activities receive common direction instead of remaining scattered across the organisation.

Step 4: Assign duties to suitable employees **Assignment of duties:** Allocate departmental jobs to employees according to their abilities, skills and experience. Each person should clearly understand the work and results for which he or she is responsible.

For example, a trained supervisor handles stitching while an accountant keeps the financial records. Matching jobs with competence improves efficiency and fixes responsibility.

Step 5: Establish authority and reporting relationships **Establishment of reporting relationships:** Specify who has authority over whom, who reports to whom, and how the different jobs and departments are connected. Give employees the authority necessary to carry out their assigned duties.

For example, stitching workers may report to the production supervisor, who reports to the production manager. Clear authority and responsibility relationships reduce confusion, prevent conflicting directions and enable the departments to coordinate their contribution to the common objective.

Step 6: Conclusion Organising creates a coordinated working structure for implementing plans. Identifying and dividing work, departmentalising it, assigning duties and establishing authority and reporting relationships connect individual effort with organisational objectives.

Quick Tip to Solve: Remember the sequence: identify work, group work, assign work, then clarify authority and reporting. Explain each stage rather than listing its name alone.

OR

25(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:

- Organising: decentralisation is the systematic delegation of decision-making authority throughout the organisation, down to the lower levels, except for authority that must remain at the centre.
- Delegation establishes authority relationships between individual superiors and subordinates; decentralisation extends delegation across levels as an organisation-wide policy.

Step 1: Explain the meaning of decentralisation **Decentralisation:** Top management deliberately disperses decision-making authority to middle and lower levels. Managers close to the work can then decide matters within their assigned areas instead of referring every decision upwards. For example, a branch manager may be authorised to decide local purchasing within approved limits. Top management retains major policy decisions and overall control. Thus decentralisation gives lower levels a meaningful role in decisions without removing accountability or central supervision.

Step 2: Distinguish the two concepts on the specified bases Delegation means entrusting responsibility and granting the necessary authority by a superior to a subordinate. Its relationship with decentralisation can be explained as follows:

Basis	Decentralisation	Delegation
(i) Scope	It has a wide scope: authority is systematically dispersed at different levels throughout the organisation.	It has a narrower scope: it concerns the transfer of authority from a particular superior to a subordinate.
(ii) Significance	It represents a philosophy or policy of management, reflecting the intention to share decision-making power with lower levels.	It is a technique of management through which a manager gets work done by subordinates and reduces the manager's workload.
(iii) Freedom of action	Lower-level managers receive greater freedom and initiative in taking decisions within the organisation's policies and their areas of authority.	A subordinate's freedom is comparatively limited by the authority granted, the task assigned and the superior's instructions and supervision.
(iv) Essentiality	It is optional: management may choose the degree of decentralisation according to organisational needs.	It is essential for effective management: a manager must delegate because the manager cannot personally perform all the work.

Step 3: Conclusion Decentralisation is the systematic dispersal of decision-making authority across organisational levels. Delegation is essential to a superior-subordinate relationship, while decentralisation is the wider, optional management policy built upon delegation and generally gives lower levels greater freedom of action.

Quick Tip to Solve: Start with systematic dispersal of authority, then compare only the four named bases. Remember: delegation is a technique and essential; decentralisation is a wider management philosophy and optional.