CBSE Class 12 Business Studies Question Paper 2004 with Solution PDF-Set 66/2/3

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

Solution:

Concept:

- Marketing is the broad process of identifying and satisfying customer needs profitably; selling is one activity within it.
- The comparison must distinguish both the range of activities and the point at which each activity begins.

Step 1: Identify the wider activity Marketing includes market research, product planning, pricing, promotion and distribution. Selling is concerned mainly with persuading customers to buy goods and transferring their ownership.

Step 2: Compare the two stated bases

Basis	Marketing	Selling
Scope	Wide: covers identification of needs, product development, pricing, promotion, distribution and after-sales services.	Narrow: focuses on converting the goods produced into sales through persuasion and promotion.
Stage of start	Begins before production, by discovering what customers need and want.	Begins after production, when goods are ready to be offered to customers.

Step 3: Conclusion Marketing has a wider scope and starts before production; selling has a narrower scope and starts after production.

Quick Tip to Solve: For this comparison, remember: marketing starts with customer needs; selling starts with the finished product.

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

Solution:

Concept:

- Supervision is the element of directing that involves overseeing employees at work and guiding their efforts.
- A supervisor links management with workers by communicating instructions and bringing operating difficulties to management.

Step 1: State the meaning Supervision means observing and overseeing the work of subordinates to ensure that they perform their assigned tasks according to the instructions and plans of management. It combines checking work with direct, personal guidance.

Step 2: Explain the guidance involved The supervisor remains in contact with workers, clarifies what is to be done, demonstrates suitable methods and helps them remove difficulties. By giving timely feedback and correcting deviations, the supervisor helps workers improve performance rather than merely finding faults. For example, a production supervisor may guide a worker in using a machine

safely and check that the required quality is maintained.

Step 3: Conclusion Supervision is direct oversight and guidance of subordinates while they work, so that assigned tasks are carried out effectively and according to plans.

Quick Tip to Solve: Define supervision using both verbs: oversee the work and guide the worker.

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

Solution:

Concept:

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

Step 1: Explain the basic idea The societal concept holds that a firm should identify the needs and wants of its target market and satisfy them more effectively than competitors, while preserving or enhancing the well-being of consumers and society. Immediate customer satisfaction alone is therefore not a sufficient guide to marketing decisions.

Step 2: Show the balance required The company must consider its own profitability, the satisfaction of consumers and the long-term social consequences of its actions together. For example, selling a convenient product should not lead the firm to ignore pollution caused by its packaging. Choosing safer products and less harmful packaging illustrates concern for social welfare alongside customer needs and business objectives.

Step 3: Conclusion Societal marketing means satisfying customer needs profitably in a way that also protects or enhances the long-term welfare of consumers and society.

Quick Tip to Solve: Remember the three interests to balance: company profit, consumer satisfaction and social welfare.

4. Explain, in brief, 'management' as a process. [2 marks]

Solution:

Concept:

- Management is a process because it consists of a series of interrelated functions directed towards organisational objectives.
- The functions of planning, organising, staffing, directing and controlling are performed continuously.

Step 1: Identify the connected functions Management begins with planning objectives and deciding how to achieve them. Organising arranges activities and resources, while staffing provides suitable people. Directing guides and motivates those people to carry out the plans, and controlling compares actual performance with the standards and initiates corrective action.

Step 2: Explain why this forms a process These functions are linked rather than isolated tasks. A

plan determines the organisation and staff required; directing puts the arrangements into action; and controlling supplies feedback for revised plans. Managers repeat and coordinate these activities as circumstances change. Through this continuing sequence, they get work done with and through people and use resources efficiently to achieve the desired results.

Step 3: Conclusion Management is a continuous process of interrelated functions through which people and other resources are coordinated to achieve organisational objectives effectively and efficiently.

Quick Tip to Solve: To explain management as a process, name the functions and show how feedback connects them.

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

Solution:

Concept:

- The political environment includes political stability, government attitudes towards business and policy priorities.
- A change in this environment can alter business confidence, investment plans and opportunities available to companies.

Step 1: Give an instance involving political stability **Change from instability to stable government:** When a country gains a stable government and clearer policy direction, companies may become more confident about future conditions. They may expand capacity or undertake long-term investments that they had postponed during political uncertainty.

Step 2: Give an instance involving government attitude **Change in the ruling government's attitude towards private business:** A government that adopts a more supportive attitude to private enterprise and foreign investment may open additional opportunities for companies. Firms may respond by entering new industries, forming collaborations or increasing investment. Conversely, a less supportive policy stance can cause companies to revise or defer such plans. These examples show how political changes affect business decisions even though individual companies do not control those changes.

Step 3: Conclusion Two instances are increased corporate investment following greater political stability, and changed expansion or collaboration plans following a government's more supportive attitude towards private enterprise.

Quick Tip to Solve: Link each political change to a company response; merely naming a government change does not show its impact.

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

Solution:

Concept:

- Personal selling is personal communication between a salesperson and a prospective buyer to inform, persuade and secure a sale.
- Its distinctive features arise from direct interaction, adaptation to the buyer and the opportunity to develop a relationship.

Step 1: Explain personal contact **Personal form:** Personal selling involves direct interaction between the seller and the prospective customer. The salesperson explains the product to an individual buyer, observes the buyer's reaction and answers questions. This personal contact makes the communication more persuasive than a general message addressed to an unidentified audience.

Step 2: Explain flexibility **Flexible communication:** The sales presentation can be changed to suit the needs, knowledge and objections of a particular customer. The seller receives immediate feedback and can clarify doubts at once. For example, the explanation may emphasise durability for one customer and convenience for another, while remaining truthful about the product.

Step 3: Explain relationship building **Development of relationships:** Repeated personal dealings enable the seller to understand the customer and develop trust. Assistance with product selection and attention after purchase can turn an isolated transaction into a continuing business relationship. Such confidence encourages repeat purchases and favourable recommendations.

Step 4: Conclusion Three features of personal selling are its personal form, flexibility in communication and capacity to develop lasting customer relationships.

Quick Tip to Solve: For each feature, explain what direct buyer-seller contact makes possible; do not merely list the benefits of selling.

7. 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 seeks to create a favourable image of the enterprise and maintain understanding with its various publics.
- Public relations professionals use communication and events to provide information, answer doubts and influence public opinion.

Step 1: Use news and media coverage **News:** Public relations professionals prepare favourable, factual news about the enterprise, its products or its activities and provide it to newspapers and other media. A report on a new production facility or a community initiative can bring the enterprise to public attention. Credible editorial coverage helps people understand its activities and may improve its image.

Step 2: Arrange speeches and public appearances **Speeches:** Executives may speak at trade associa-

tions, meetings and other public forums. A carefully prepared speech explains the enterprise's policies, achievements or response to an issue. Questions can also be answered, reducing misunderstanding. Such appearances give the enterprise a recognisable voice and help build confidence among interested groups.

Step 3: Organise special events **Special events:** The enterprise may organise seminars, exhibitions, press conferences or sponsor suitable public events. These occasions attract attention and allow representatives to communicate directly with the public or the media. For example, an exhibition can demonstrate a useful innovation, while a press conference can explain an important development clearly.

Step 4: Conclusion News, speeches and special events are three methods by which public relations professionals inform the public and shape a favourable image of a business enterprise.

Quick Tip to Solve: Choose three named PR tools, then connect each tool to information, public understanding and the enterprise's image.

8. Explain any three points that highlight the nature of principles of management. [3 marks]

Solution:

Concept:

- Management principles are broad guidelines for managerial decision-making and behaviour, developed from observation, experience and experimentation.
- They concern people and changing organisational situations, so they guide judgement rather than prescribe an identical action in every case.

Step 1: Explain their general applicability **Universal applicability:** Management principles can be used in different kinds of organisations, such as business enterprises, schools and hospitals, and at different management levels. For example, division of work can improve efficiency wherever tasks can be specialised. However, the extent and manner of application depend on the nature and size of the organisation.

Step 2: Explain their guiding character **General guidelines:** Principles provide broad guidance rather than ready-made solutions to every management problem. A manager must interpret the situation before applying a principle. For example, unity of direction suggests one plan and one head for activities with a common objective, but the manager must still decide the actual plan, staffing and working arrangements.

Step 3: Explain their flexibility **Flexible:** Management principles can be modified in their application according to the circumstances and requirements of an organisation. They are not rigid rules to be followed mechanically. The amount of centralisation, for instance, may differ with employees' competence, the importance of decisions and the need for quick action.

Step 4: Conclusion The nature of management principles is highlighted by their universal applicability, their role as general guidelines and their flexibility in application.

Quick Tip to Solve: Explain the nature of the principles themselves; improved efficiency and better decisions describe their significance instead.

9. "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 to strive willingly towards organisational objectives.
- Motivation stimulates a person to act. A leader encourages willing effort by understanding needs, providing support and building confidence.

Step 1: State agreement and explain recognition of needs Yes, leadership is a source of motivation because an effective leader influences people to work willingly rather than relying only on formal orders. **Understanding needs:** A leader interacts with followers and learns what matters to them, such as recognition, security, responsibility or advancement. By relating work and suitable incentives to these needs, the leader encourages employees to put greater effort into their tasks.

Step 2: Explain confidence and support **Building confidence and providing guidance:** A leader clarifies the work to be done, explains how to do it and supports employees when difficulties arise. This reduces uncertainty and fear of failure. Appreciation of good performance reinforces confidence and creates enthusiasm for further effort. Employees are therefore more willing to accept responsibility and pursue challenging goals.

Step 3: Explain involvement and commitment **Creating commitment and team spirit:** A leader communicates a meaningful common objective, listens to suggestions and creates a sense of belonging. Employees who feel respected and involved are more likely to identify with the group's goals. The leader's own example and encouragement help turn mere compliance into voluntary cooperation and sustained effort.

Step 4: Conclusion Yes. Leadership motivates employees by understanding their needs, building confidence through guidance and recognition, and creating commitment and team spirit towards common objectives.

Quick Tip to Solve: Link every reason to willing effort: explain how the leader's action makes employees more eager to work, rather than just listing leadership qualities.

10. 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 the officially prescribed chain of authority. Its network is often called the grapevine.
- Its advantages can be considered from both sides: employees gain social support and a means of expression, while management gains quick information and an insight into employees' reactions.

Step 1: State the advantages for members

- **Satisfaction of social needs:** Friendly contact allows employees to share experiences and develop

a sense of belonging. They feel accepted as members of a group rather than isolated individuals at work.

- **Emotional support:** Members can discuss difficulties and feelings freely with trusted colleagues. Such mutual support reduces anxiety and helps them adjust to the work environment.
- **Quick exchange of information:** Personal contacts spread useful news rapidly across departments and levels. Members can obtain clarification and practical assistance without waiting for every message to pass through formal channels.

Step 2: State the advantages for management

- **Speedy transmission:** The informal network carries information quickly and can supplement formal communication, especially when an immediate response is needed.
- **Feedback about employees:** Informal discussion reveals workers' attitudes, grievances and reactions to decisions. Management can identify discontent early and take suitable action instead of relying only on formal reports.
- **Support for cooperation:** Good informal relationships encourage mutual understanding and teamwork. By recognising these relationships and communicating with informal leaders, managers can secure employees' cooperation in achieving organisational objectives.

Step 3: Conclusion Informal communication benefits members through belonging, emotional support and rapid information. It benefits management through speed, feedback and cooperation, and thus supplements the formal communication system.

Quick Tip to Solve: Divide this answer into members and management; pair each named advantage with the benefit it produces for that group.

11. 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 of funds. The money market meets short-term financing needs, while the capital market provides medium-term and long-term finance.
- The two markets differ in the maturity, instruments, participants and investment outlay of their transactions; performing the common task of mobilising funds does not make them identical.

Step 1: Explain the distinction to the friend A firm needing funds temporarily for working capital uses a different market from one seeking funds for a long-term expansion. The following four bases show why the two markets cannot be treated as the same:

Basis	Money market	Capital market
Maturity	Deals in short-term funds and instruments with a maturity of up to one year.	Deals in medium-term and long-term funds, generally for more than one year; equity has no fixed maturity.
Instruments	Uses instruments such as treasury bills, commercial paper, call money and certificates of deposit.	Uses instruments such as equity shares, preference shares, debentures and bonds.
Participants	Principal participants are the central bank, commercial banks, financial institutions and large companies.	Participants include companies, financial institutions and individual investors, including the investing public.
Investment outlay	Transactions normally involve large sums, so the market is mainly accessible to institutions and large borrowers and lenders.	Securities can be purchased in relatively small units, allowing individuals as well as institutions to invest.

Step 2: Relate the differences to financing needs For example, a company's temporary cash shortage may be financed by issuing commercial paper in the money market, whereas funds for a new factory may be raised through shares or debentures in the capital market. Similarly, a saver purchasing shares becomes an investor in a long-term security, while a treasury bill represents a short-term investment. The distinction concerns the nature of the funds and securities, not merely the fact that money changes hands. Although some institutions participate in both markets, that overlap does not remove these four differences.

Step 3: Conclusion I would convince my friend by distinguishing maturity, instruments, participants and investment outlay. The money market serves short-term finance, whereas the capital market supplies medium-term and long-term finance, so they are separate parts of the financial system.

Quick Tip to Solve: Begin with maturity, then compare instruments, participants and outlay in matching rows so each difference is explicit.

12. 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 the number of units produced. It provides stable earnings when output is difficult to measure or workers are learning.
- Under the piece-rate system, wages depend on the number of acceptable units produced at a fixed rate per unit. It suits measurable output whose quantity responds directly to the worker's efforts.

Step 1: Choose the method for learners and measurable effort **(i) Learners unable to reach the minimum standard: Time-rate.** Learners need time to acquire skill and become familiar with the job. Their initial output is low for reasons associated with training. Payment according to time gives them assured earnings while they learn, without pressuring them to rush and develop incorrect working habits merely to earn a reasonable wage.

(ii) Clear relationship between effort and output: Piece-rate. When increased personal effort produces more identifiable units, payment per unit directly rewards that effort. An efficient worker who produces more earns more. This creates a financial incentive to increase productivity because the additional output is reflected in the worker's own earnings.

Step 2: Choose the method for unmeasurable output and quantity-oriented work **(iii) Units of output cannot be measured: Time-rate.** A piece-rate wage requires a reliable count of units attributable to the worker. If the work cannot be expressed in measurable units, such a calculation is impracticable and could create disputes. Attendance or time worked supplies a workable basis of payment instead.

(iv) Quality is less important than quantity: Piece-rate. Payment per unit encourages workers to raise the number of units produced. It is therefore suitable where larger output is the main objective and there is less need to reward slow, detailed attention to quality. The unit should still meet the employer's basic acceptable standard; the method does not imply paying for unusable goods.

Step 3: Conclusion Adopt time-rate for situations (i) and (iii), and piece-rate for situations (ii) and (iv). The choice turns on whether output can fairly be measured and whether the employer wants to encourage learning or a higher quantity of production.

Quick Tip to Solve: Link time-rate with training or output that cannot be counted; link piece-rate with countable output that increases with effort.

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

Solution:

Concept:

- The Securities and Exchange Board of India protects the interests of investors in the securities market. Its protective functions aim to prevent exploitation, unfair dealing and practices that undermine investors' confidence.
- Protective functions concern investor safety and fair conduct. They are distinguished from developmental functions such as training intermediaries and regulatory functions such as registering market participants.

Step 1: State measures against unfair trading **1. Prohibiting fraudulent and unfair trade practices:** SEBI acts against practices such as price rigging, in which prices are manipulated to create an artificial market. Such practices can mislead investors into buying or selling on a false impression of the demand for a security. Preventing them helps investors trade at prices formed through fair market activity.

2. Prohibiting insider trading: SEBI prohibits dealing in securities on the basis of unpublished price-sensitive information. Directors, employees or other persons with privileged access must not

unfairly use information unavailable to ordinary investors for trading gains. This protects investors from an unequal informational advantage being exploited against them.

Step 2: State measures supporting informed and fair investment **3. Undertaking investor education:** SEBI promotes awareness of investors' rights, investment risks and precautions to take in the securities market. Better-informed investors can examine investment claims, recognise misleading promises and understand avenues for redress. Education therefore helps prevent exploitation rather than merely responding after a loss.

4. Promoting fair practices and a code of conduct: SEBI promotes fair dealing and appropriate standards of conduct among securities-market participants and intermediaries. Such standards seek to ensure honest treatment of investors and discourage misleading or improper behaviour. This strengthens transparency and confidence in market transactions.

Step 3: Conclusion Four protective functions of SEBI are prohibiting fraudulent and unfair trade practices, prohibiting insider trading, undertaking investor education, and promoting fair practices and a code of conduct in the securities market.

Quick Tip to Solve: For protective functions, organise your answer around unfair practices, insider trading, investor education and fair conduct; explain how each protects investors.

14. 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:

- Fayol's principle of equity requires managers to treat employees with kindness and justice, so that employees develop loyalty and devotion towards the organisation.
- Equity combines fair treatment with sympathetic consideration of employees' circumstances. Decisions should be free from discrimination based on sex, caste, religion or personal preference.

Step 1: Identify and explain the principle **Equity:** The words "kind, fair and just treatment" identify Fayol's principle of equity. A manager should deal with subordinates courteously, respect their dignity and apply reasonable rules impartially. This creates confidence that employees will receive a fair hearing and fair opportunities, instead of arbitrary treatment or favouritism.

Secure loyalty and devotion: Employees who feel respected and fairly treated are more willing to cooperate and devote their abilities to organisational objectives. Equity does not mean that every employee must receive an identical reward regardless of performance. Relevant differences in responsibility and merit may justify different rewards, provided the standards are fair and consistently applied. Kindness also does not exclude necessary discipline.

Step 2: Apply equity through a suitable example **Example:** Suppose two employees perform the same work with comparable skill and performance. Their manager gives both equal access to training and assesses them for promotion on the same stated criteria, without favouring a relative or discriminating on the basis of religion or gender. If either employee faces a genuine difficulty, the manager listens sympathetically and considers reasonable assistance under fair rules. Such conduct combines kindness

with justice and encourages both employees to remain loyal and work devotedly.

Step 3: Conclusion The principle is **equity**. Kindness, impartiality and justice in managerial treatment help secure employees' loyalty and devotion, as illustrated by fair training and promotion opportunities.

Quick Tip to Solve: Link "kindness and justice" to equity; link "stable employment and time to settle" to stability of personnel.

15. "The concept of decentralisation is related to the concept of delegation." 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. It involves assigning responsibility, granting authority and creating accountability.
- Decentralisation is the systematic delegation of authority throughout the organisation and at its various levels. Top management retains authority over major policy decisions and overall control.

Step 1: Explain how delegation forms the basis **A common basis:** Both delegation and decentralisation involve sharing decision-making authority with subordinates. A manager cannot personally undertake every activity and therefore entrusts duties and sufficient authority to others. Delegation establishes the superior-subordinate relationship through which this transfer takes place. The superior remains accountable for the work entrusted to a subordinate; delegation does not mean surrendering ultimate responsibility.

A wider application: When authority is delegated systematically and extensively at different managerial levels, decision-making is dispersed across the organisation. This wider pattern is decentralisation. Thus, decentralisation extends the process of delegation beyond a particular superior and subordinate and makes it an organisation-wide approach to distributing authority.

Step 2: Clarify the degree of authority shared **Delegation is necessary; decentralisation is a policy choice:** Some delegation is essential whenever a manager gets work done through others, but management decides how far authority should be decentralised. An organisation can delegate routine tasks while keeping most decisions concentrated at the top. Therefore, delegation can exist without extensive decentralisation, whereas decentralisation cannot exist without delegation.

Illustration: A sales manager authorising a salesperson to grant discounts within a stated limit is delegation. If the enterprise systematically empowers regional managers to decide local sales methods and routine expenditure within policy limits, it is decentralisation. In both cases authority moves downwards, but in the second case the practice is spread across units and levels.

Step 3: Conclusion Decentralisation is related to delegation because it is the systematic and extensive application of delegation throughout the organisation. Delegation provides the means; decentralisation describes the degree and pattern in which authority is dispersed.

Quick Tip to Solve: Explain the relationship first: decentralisation extends delegation. Then distinguish an individual transfer of authority from its systematic spread across levels.

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

[5 marks]

Solution:

Concept:

- Business environment means the external economic, social, technological, political and legal forces that influence business decisions and performance.
- Understanding these forces helps managers anticipate change and prepare suitable plans. The enterprise cannot control every external development, but it can adapt its decisions to it.

Step 1: Identify opportunities and obtain the first-mover advantage **Recognising opportunities:** Environmental understanding reveals favourable conditions that a business can use for growth. A rise in demand for convenient services, for example, can suggest a new service or distribution method. Recognising the change early allows the enterprise to act before competitors, build customer loyalty and secure a first-mover advantage.

Step 2: Detect threats and receive early warning signals **Recognising threats:** Changes such as stronger competition, a substitute product or a restrictive law may endanger existing business. Environmental awareness gives management time to prepare a response instead of discovering the danger after sales have fallen. It can improve quality, reduce avoidable costs or change its product mix to protect the enterprise's future.

Step 3: Tap useful resources **Obtaining resources:** A business depends on its environment for finance, labour, materials, technology and other inputs. Understanding their availability, cost and suppliers helps the enterprise obtain suitable resources on favourable terms. It also helps the business offer the products and returns expected by customers, employees and investors, maintaining the exchange on which its survival depends.

Step 4: Cope with rapid changes **Adapting to change:** Technology, customer preferences and competitive practices keep changing. Regular environmental study prevents managers from treating old methods as permanently suitable. The enterprise can introduce new technology, train employees and modify products in time, thereby remaining relevant as the conditions surrounding it change.

Step 5: Improve planning and policy formulation **Preparing realistic plans:** Information about likely external developments provides the basis for selecting objectives, strategies and policies. For example, expected changes in demand and input costs influence production and investment plans. Plans based on environmental realities are more practical than plans based only on past experience, and they help guide the business towards future opportunities.

Step 6: Conclusion Understanding the environment helps a business identify opportunities, recognise threats, obtain resources, adapt to change and frame realistic plans. These benefits enable management to shape the enterprise's future through timely and informed decisions.

Quick Tip to Solve: Link each benefit to a managerial action: seize an opportunity, prepare for a threat, obtain an input, adapt a method or revise a plan.

17. "Management and administration mean the same thing." Explain the view. [5 marks]

Solution:

Concept:

- The view that management and administration mean the same thing treats both as the process of directing organised human effort towards common objectives.
- Although some writers distinguish policy formulation as administration and policy execution as management, the identity view regards these as interdependent aspects of one managerial process.

Step 1: Explain their common purpose **A common objective:** Both management and administration coordinate people and resources to achieve the objectives of an organisation. Whether an executive is called a manager or an administrator, the essential task is to secure effective collective effort. A difference in designation does not by itself create a different function.

Step 2: Show that both involve the same functions **The same basic process:** Both involve planning, organising, staffing, directing and controlling. Objectives must be selected, work assigned, people guided and results checked in every organisation. Thus, administration cannot operate without the activities associated with management, and management cannot operate without decisions about objectives and policy.

Step 3: Connect policy formulation and execution **Interdependence of decisions and action:** A strict separation between making policy and implementing it is impractical. While implementing a policy, an executive makes decisions about methods, priorities and exceptional situations. Experience gained during implementation also leads to policy revision. Policy formulation and execution therefore belong to a continuous process rather than two entirely separate activities.

Step 4: Explain their presence at every level **A difference of emphasis:** Executives at higher levels devote relatively more time to broad objectives and policies, while those at lower levels devote relatively more time to their implementation. However, both kinds of work exist at different levels. The proportion changes with authority and responsibility; the underlying managerial process remains the same.

Step 5: Interpret the difference in terminology **Usage rather than substance:** The word administration is often used for public bodies and educational or other non-business institutions, while management is commonly used for business enterprises. According to the identity view, this customary usage does not imply a fundamental distinction. Both kinds of organisation require coordinated effort, decisions and control to accomplish their purposes.

Step 6: Conclusion Under this view, management and administration are interchangeable terms for the same integrated process. Policy making and execution differ in emphasis at various levels, but both form part of directing an organisation towards its objectives.

Quick Tip to Solve: To explain the identity view, stress common objectives and functions, then show why policy making and implementation cannot be completely separated.

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

Solution:

Concept:

- Dividend policy determines the portion of profits distributed to shareholders and the portion retained in the business to finance future requirements.
- A long-term policy should provide a sustainable return to shareholders while preserving sufficient funds and liquidity for the company's future operations and growth.

Step 1: Consider earnings and the stability of earnings **1. Amount of earnings:** Dividends are paid out of current and past earnings. A company with substantial distributable profits has greater scope to pay dividends, while low earnings restrict the amount it can distribute without weakening its financial position.

2. Stability of earnings: A company with stable, predictable earnings can commit itself to a relatively higher and regular dividend. A company whose earnings fluctuate should follow a more cautious policy and retain more in good years so that payments can be maintained during less profitable years. A temporary increase in profit should therefore not automatically become a permanent increase in dividend.

Step 2: Examine cash, future investment needs and shareholder expectations **3. Cash-flow position:** Paying a cash dividend requires actual cash. An accounting profit tied up in stock or amounts receivable does not by itself provide the money needed for payment. The company should ensure adequate liquidity after meeting operating and other cash commitments before declaring dividends.

4. Growth opportunities: A company with attractive expansion or investment opportunities generally retains a larger share of earnings to finance them. This may justify a lower current payout. A mature company with fewer profitable investment opportunities can distribute a larger share without sacrificing worthwhile growth.

5. Shareholders' preferences: Management should consider whether its shareholders depend on regular dividend income or prefer profits to be retained for future growth. The policy should balance these preferences with the company's requirements, since an unsustainable payment made merely to satisfy immediate expectations may harm shareholders later.

Step 3: Conclusion Thus, earnings, stability of earnings, cash-flow position, growth opportunities and shareholders' preferences should guide the long-term dividend policy. The aim is a dependable distribution that the company can maintain while financing its future needs.

Quick Tip to Solve: Separate profit from cash: earnings make a dividend possible, but liquidity makes its payment possible. Explain each factor by showing how it affects the payout.

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

Solution:

Concept:

- Controlling means comparing actual performance with predetermined standards, identifying significant deviations and taking corrective action to achieve organisational objectives.
- Control is a continuing managerial function. Its importance lies in using information about performance to guide action and improve the organisation's future results.

Step 1: Explain how control keeps work directed towards planned results **1. Accomplishing organisational goals:** Controlling measures progress towards the objectives set in plans. By detecting deviations and initiating timely corrective action, it keeps activities on the intended course and helps the organisation achieve its goals instead of discovering failure only after the work is over.

2. Judging the accuracy of standards: Comparison of actual performance with standards helps management assess whether its standards are realistic and accurate. If deviations arise because assumptions or conditions have changed, management can review the standards and improve future planning rather than continuing with an unsuitable benchmark.

3. Making efficient use of resources: Control enables management to detect wastage, duplication and inefficient methods of work. Corrective action reduces avoidable losses and ensures that physical, financial and human resources are used effectively. Employees also tend to work more carefully when they know that performance is being measured against clear standards.

Step 2: Explain how control improves employee effort and coordinated work **4. Improving employee motivation:** Clear standards tell employees what is expected of them and provide a basis for assessing their performance. Knowledge of the required results, feedback on achievement and recognition of good performance encourage employees to improve their work. Control therefore supports motivation when performance assessment is fair and understood.

5. Facilitating coordination in action: Control directs the work of departments and individuals towards common organisational objectives. Their performance is assessed with reference to agreed standards, so corrective decisions can align interdependent activities. For example, if production falls behind the sales requirement, timely control action can bring the activities back into balance instead of allowing departments to work at cross-purposes.

Step 3: Conclusion Controlling helps accomplish goals, tests the accuracy of standards, promotes efficient resource use, improves employee motivation and facilitates coordination. By connecting performance information with corrective action, it helps translate plans into effective results.

Quick Tip to Solve: For each importance point, connect a control activity to its benefit: comparison reveals a problem, and corrective action improves the result.

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

Solution:

Concept:

- Over-capitalisation exists when a company's capital is excessive in relation to its earning capacity. Its earnings do not justify a normal return on the capital employed; it does not simply mean that the company has too much cash.
- Shareholders are the residual owners. Their dividend income, the market value of their investment and the safety of their capital depend on the company's profitability and financial strength.

Step 1: State the agreement and its basis Yes, over-capitalisation is a curse to shareholders because the company's earning capacity is insufficient to support a satisfactory return on its capital. Interest and other prior claims must be met before equity shareholders receive dividends. Consequently, weak earnings particularly hurt the owners who bear the ultimate business risk.

Step 2: Explain the adverse effects on shareholders

- **Low dividend income:** Profit is spread over capital that is too large for the earnings it produces. The rate of dividend therefore falls and dividends may become irregular or cease, reducing shareholders' current income.
- **Fall in share value:** Investors normally pay less for shares yielding an inadequate or uncertain return. Their market price falls, so shareholders suffer a loss in the value of their investment and may have to sell below their purchase price.
- **Reduced borrowing capacity against shares:** Shares with a low market value and poor earning prospects are weaker security for a personal loan. Shareholders may obtain a smaller loan against them or find them difficult to pledge.
- **Loss on reconstruction:** To correct over-capitalisation, a company may reduce the face value of shares or write off part of its paid-up capital. Shareholders then bear the capital sacrifice needed to bring the capital figure into line with the business's true earning capacity.
- **Risk of losing capital:** Continued low earnings weaken the company's financial position and may ultimately cause business failure. After creditors and other prior claims are settled, little or nothing may remain for equity shareholders, putting their invested capital at risk.

Step 3: Conclusion The statement is justified: over-capitalisation can reduce dividends, depress the market price of shares, impair their usefulness as security and expose shareholders to capital losses on reconstruction or failure. Thus it harms both the income and the security of their investment.

Quick Tip to Solve: Link each effect to a shareholder's investment: dividend income, resale value, loan security and recovery of capital. Do not confuse over-capitalisation with surplus cash.

21(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 safeguard the interests of people who buy and use goods and services. They seek to make consumption adequate, safe and fair rather than leaving the consumer helpless against exploitation.
- The right to basic needs concerns essential necessities, the right to safety concerns protection from hazards, and the right to redressal concerns a remedy when a consumer suffers a justified grievance.

Step 1: Explain the right to basic needs **The right to basic needs:** Every consumer should have access to goods and services essential for survival and a dignified life. These include adequate food, clothing, shelter, healthcare, education, drinking water and sanitation. The right gives priority to the satisfaction of these necessities, especially for poor and disadvantaged consumers, rather than treating access to luxuries as the main test of consumer welfare. For example, a supply of safe drinking water and essential food at accessible prices helps satisfy basic needs. This right does not mean an unlimited claim to every product; it concerns the minimum necessities required for living.

Step 2: Explain the right to safety **The right to safety:** Consumers have a right to be protected against goods and services hazardous to life and health. Products should meet appropriate safety and quality standards when used as directed, and necessary warnings and instructions should be available. This is particularly important for electrical appliances, medicines and food products, where a defect can cause serious injury. A consumer should, for instance, receive an electrical appliance with safe insulation and clear operating instructions. The consumer can support this right by checking recognised quality marks, expiry dates and directions for safe use; these precautions complement the producer's responsibility to supply safe products.

Step 3: Explain the right to redressal of grievances **The right to redressal of grievances:** A consumer is entitled to seek a fair remedy against defective goods, deficient services and unfair or restrictive trade practices. A genuine complaint should be heard and appropriate relief provided. Depending on the nature of the loss, relief may include removal of the defect, replacement of the product, refund of the price or reasonable compensation for the injury suffered. For example, a buyer supplied with a defective appliance may seek its repair or replacement and compensation where justified. The consumer should retain the bill and other evidence and approach the seller or the appropriate consumer redressal agency if the grievance is not resolved.

Step 4: Conclusion The right to basic needs promotes access to life's necessities; the right to safety protects life and health against hazardous products and services; and the right to redressal enables the consumer to obtain a suitable remedy for a genuine grievance. Together they protect the consumer before, during and after consumption.

Quick Tip to Solve: Remember the sequence: necessities must be accessible, their use must be safe, and any justified loss must have a remedy. Give a distinct example for each right.

OR

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

Solution:

Concept:

- Consumer responsibilities are the duties consumers should perform to protect their own interests and make consumer rights effective.
- An informed, careful and assertive buyer helps prevent exploitation; rights do not remove the need to examine a purchase and preserve evidence.

Step 1: Explain awareness and careful purchasing

- **Be aware of available goods and services:** A consumer should collect information about alternative products, their quality, prices, usefulness and terms of sale before deciding. Comparing alternatives reduces dependence on the seller's claims and helps the buyer make an informed choice suited to actual needs. The consumer should also learn about consumer rights and the remedies available against unfair practices.
- **Read labels and check quality:** Before purchase, examine the quantity, ingredients, manufacturing and expiry dates, maximum retail price, warnings and directions for use. Prefer appropriate standardised goods, such as those bearing ISI or AGMARK where applicable. Such checks help the buyer avoid unsafe, expired, adulterated or unsuitable products rather than discovering the defect only after use.

Step 2: Explain evidence and action against exploitation

- **Insist on a cash memo or bill:** Obtain a proper bill showing the seller, product, date, quantity and price, and retain the warranty or guarantee documents. These records establish that a transaction took place and support a claim for replacement, repair, refund or compensation if the goods or service are defective. Buying without a bill can make it difficult to prove the purchase later.
- **Complain about genuine grievances:** A consumer should first bring a defect, overcharge or deficient service to the seller's notice and seek a reasonable remedy. If it is not resolved, use the appropriate consumer grievance mechanism, supported by the bill and other evidence. Remaining silent allows unfair practices to continue, whereas a genuine complaint can protect both the buyer and other consumers. Claims should be honest and based on actual loss or deficiency.

Step 3: Conclusion Four responsibilities are to become an informed buyer, examine labels and quality, obtain and preserve the bill, and seek redressal for genuine grievances. Performing these duties makes consumer protection more effective in everyday transactions.

Quick Tip to Solve: Organise consumer duties around the purchase: compare before buying, check at purchase, keep the bill, and complain when necessary.

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

Solution:

Concept:

- Planning means deciding in advance what is to be done, how it is to be done, when it will be done and who will do it.
- Formulating a plan is a systematic process that starts with objectives and assumptions and proceeds through alternatives to the choice of a suitable course of action.

Step 1: Establish the purpose and planning assumptions

- **Set objectives:** State clearly what the organisation intends to achieve. Objectives provide the destination towards which all activities are directed and become the basis for departmental and individual plans. They should be sufficiently definite to guide decisions; for example, management may specify the sales increase it wants over a stated period.
- **Develop planning premises:** Identify the assumptions about the future on which the plan will rest. These may concern demand, prices, government policy, competition, technology and the availability of resources. Since planning deals with an uncertain future, managers need a common set of reasonable assumptions so that related plans are consistent with one another.

Step 2: Generate and assess possible courses

- **Identify alternative courses of action:** Find the different ways of attaining the stated objectives. Managers should look beyond the first obvious solution and consider feasible new approaches. An increase in sales, for instance, might be sought through new markets, revised promotion or an improved product.
- **Evaluate the alternatives:** Examine each course in the light of the objectives and planning premises. Compare its expected benefits, costs, risks, resource requirements and likely consequences. An alternative that promises high returns may also demand funds or involve risks that the organisation cannot bear, so several relevant factors must be considered together.

Step 3: Choose the plan and prepare supporting plans

- **Select the best alternative:** Choose the course that offers the most appropriate balance of benefits, costs and risks in the organisation's circumstances. The best choice need not be the cheapest or the one promising the highest immediate return. Sometimes a combination of alternatives meets the objectives better than a single course.
- **Formulate derivative or supporting plans:** Translate the chosen main plan into the detailed plans needed for its execution. Departments may prepare production, purchasing, staffing and finance plans, along with schedules and budgets. These supporting plans specify the resources, responsibilities and timing needed to make the main decision workable and coordinate the efforts of different units.

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

Quick Tip to Solve: Remember the sequence as destination, assumptions, possible routes, comparison, choice and supporting arrangements.

OR

22(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:

- A policy is a general guideline that channels managerial thinking and decision-making towards organisational objectives.
- A procedure is a prescribed sequence of steps for performing an activity. Both are standing plans used repeatedly in recurring situations.

Step 1: Explain policy as a type of plan A **policy** states the broad approach within which decisions are to be taken. It establishes the limits of managerial discretion, so similar situations are handled consistently while allowing judgement within those limits. For example, a policy of filling vacancies through internal promotion guides the choice of recruitment source; it does not itself describe every action needed to make the appointment. Policies connect day-to-day decisions with the organisation's objectives.

Step 2: Explain procedure as a type of plan A **procedure** lays down the chronological sequence of actions to be followed in completing a particular task. It tells employees how the work is to be performed and who takes the successive actions. For example, a recruitment procedure may require receiving applications, screening them, conducting tests and interviews, selecting candidates and issuing appointment letters. Following the sequence reduces uncertainty and avoids omission of necessary steps.

Step 3: Distinguish policy from procedure on four bases

Basis	**Policy**	**Procedure**
Nature	A broad guideline governing decisions and managerial thinking.	A detailed sequence of actions for performing a task.
Purpose	Guides the choice among alternatives consistently with organisational objectives.	Ensures that an activity is carried out systematically and in the required order.
Flexibility	Allows discretion and judgement within its stated boundaries.	Leaves relatively little discretion about the prescribed sequence of actions.
Sequence	Does not necessarily specify a chronological order of action.	Specifies the chronological order in which successive steps must be completed.

Step 4: Conclusion Thus, policy guides what approach managers should adopt when deciding, whereas procedure specifies how an activity should be carried out in sequence. A procedure helps implement the broad guidance provided by a policy.

Quick Tip to Solve: Use a recruitment example: internal promotion is a policy; screening, interviewing and appointment in order form a procedure.

23(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 of identifying and grouping activities, assigning duties and establishing authority relationships so people can work together to achieve objectives.
- Organising converts a plan into an arrangement of jobs, departments and reporting relationships. Responsibility for work must be supported by the authority needed to carry it out.

Step 1: State the meaning of organising **Organising** is the process of identifying the work required to achieve organisational objectives, grouping related activities, assigning duties to suitable people and establishing relationships of authority and responsibility. It brings human and other resources together in a coordinated framework. Planning decides what is to be achieved; organising creates the working arrangement through which that plan can be implemented without duplication or confusion.

Step 2: Identify and divide the work **Identification and division of work:** First identify all activities necessary to implement the plan. Divide the total work into manageable tasks or jobs, so every necessary activity is covered and the same task is not needlessly duplicated. In a manufacturing enterprise, activities may include purchasing materials, producing goods, selling them and maintaining accounts. Division of work also makes specialisation possible because a person can concentrate on a particular task.

Step 3: Group related activities into departments **Departmentalisation:** Group similar or related jobs into departments on a suitable basis. For example, purchasing, production, marketing and finance may form separate functional departments. Such grouping facilitates coordination of related activities, supervision and the efficient use of resources. The grouping should suit the organisation's objectives, size and nature of work rather than merely give each job a separate department.

Step 4: Assign duties to suitable people **Assignment of duties:** Allocate the jobs and departmental responsibilities to employees according to their abilities, knowledge and experience. Clearly specify the work each person is expected to perform, avoiding both overlap and unassigned duties. Matching a person's competence to the job helps secure effective performance and makes it possible to hold that person responsible for the assigned work.

Step 5: Establish reporting and authority relationships **Establishing reporting relationships:** Specify who reports to whom and who can issue instructions to each employee. Give the authority necessary to discharge assigned responsibilities and make the chain of command clear. This creates superior-subordinate relationships, links different jobs and departments, and enables coordination. Employees then know whom to approach for decisions and to whom they are accountable for results.

Step 6: Conclusion Organising therefore follows four connected stages: identification and division of work, departmentalisation, assignment of duties, and establishment of reporting relationships. Together they produce a clear organisational structure for implementing plans and achieving objectives.

Quick Tip to Solve: Remember the sequence: identify the work, group the jobs, assign the people, then establish who reports to whom.

OR

23(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 means the systematic dispersal of decision-making authority throughout the lower levels of an organisation, except authority that must necessarily remain at the centre.
- Delegation is the assignment of responsibility and grant of the necessary authority by a superior to a subordinate. It creates an individual superior-subordinate relationship; decentralisation expresses an organisation-wide policy.

Step 1: Explain decentralisation In a decentralised organisation, managers at successive lower levels are authorised to take decisions concerning their own areas of work. For example, a branch manager may decide local purchases within prescribed limits instead of referring every purchase to head office. Top management still determines overall objectives, major policies and control standards. Decentralisation therefore does not remove the authority or ultimate responsibility of top management; it distributes the exercise of decision-making power more widely.

Step 2: Distinguish the two on the four specified bases

Basis	Decentralisation	Delegation of authority
Scope	It has a wider scope: authority is systematically dispersed at different levels throughout the organisation.	It has a narrower scope: it concerns transfer of authority from a particular superior to a particular subordinate.
Significance	It is an extension of delegation and represents top management's policy of sharing decision-making power widely.	It is the managerial process through which a superior gets work done by a subordinate with adequate authority.
Freedom of action	Lower-level managers receive greater freedom to use initiative and take decisions within the limits of the overall policy.	The subordinate's freedom is relatively limited by the particular assignment and the authority granted by the superior.
Essentiality	It is optional: the extent adopted depends on the organisation's size, needs and management policy.	It is essential for effective management because a manager cannot personally perform every task.

Step 3: Conclusion Decentralisation is the systematic, wider distribution of authority as an organisational policy. Delegation is the essential superior-subordinate process on which that wider distribution is built; the two differ in scope, significance, freedom of action and essentiality as shown above.

Quick Tip to Solve: Remember the relationship first: decentralisation is an extension of delegation. Then compare an organisation-wide policy with an individual superior's assignment on each named basis.

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

Solution:

Concept:

- Staffing is the managerial function of finding the right people for the right jobs and developing their abilities. It covers acquiring, placing and developing the human resources needed by the organisation.
- The process begins with assessment of manpower needs and proceeds through recruitment, selection, placement and development. The following are six steps in their usual sequence.

Step 1: Assess requirements and attract applicants

1. **Estimating manpower requirements:** Determine how many employees are needed and what qualifications, skills and experience they should possess. Workload analysis establishes the amount and nature of work, while workforce analysis examines the number and abilities of employees already available. Comparing the two reveals shortages or surpluses and provides the basis for a staffing plan.
2. **Recruitment:** Search for prospective employees and encourage suitable people to apply for the available jobs. Candidates may be attracted from internal sources, such as transfers and promotions, or external sources, such as advertisements and employment exchanges. Recruitment creates an adequate pool of applicants from which the organisation can choose.

Step 2: Choose employees and introduce them to their jobs

3. **Selection:** Examine applicants and choose those best suited to the job requirements. The organisation may use application screening, employment tests, interviews, reference checks and medical examination as appropriate. Unlike recruitment, which attracts applicants, selection identifies the most suitable candidates and rejects those who do not meet the requirements.
4. **Placement and orientation:** Assign the selected employee to the job for which he or she has been chosen. Introduce the employee to the organisation, colleagues, rules and working conditions. Placement establishes the employee's position; orientation helps the newcomer settle in, understand expectations and begin work confidently.

Step 3: Develop abilities and evaluate performance

5. **Training and development:** Provide learning opportunities that improve employees' knowledge, skills and competence. Training helps them perform their present jobs efficiently; development prepares them for broader responsibilities and future challenges. The methods used should match the needs of the employee and the work.
6. **Performance appraisal:** Evaluate actual job performance against predetermined standards and communicate the results to employees. This identifies strengths, shortcomings and training needs, and supplies a basis for decisions such as promotion and other personnel actions. Constructive feedback also helps employees improve their future performance.

Step 4: Conclusion Six steps in staffing are estimating manpower requirements, recruitment, selection, placement and orientation, training and development, and performance appraisal. Together they ensure that suitable people are obtained, introduced to their roles, developed and assessed systematically.

Quick Tip to Solve: Keep recruitment and selection separate: recruitment attracts a pool of candidates, while selection chooses suitable employees from that pool. Explain each staffing step as an action and its purpose.

OR

24(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 efficiently. It translates ability into competent performance through instruction and practice.
- Staffing does not end with recruitment and selection. New recruits need preparation, and existing employees need to update their skills as jobs, technology and responsibilities change.

Step 1: Explain the need to prepare employees for their work **1. Equip new employees:** Newly appointed employees may possess general qualifications but lack knowledge of the organisation's specific methods, machines and work standards. Training familiarises them with their duties and enables them to perform the assigned job correctly from the beginning.

2. Improve efficiency and productivity: Employees need systematic instruction in better methods of doing work. Training reduces trial and error and helps them complete tasks with greater speed and accuracy. Consequently, output and the quality of work improve while waste of materials and effort declines.

3. Adapt to technological change: The introduction of new equipment, processes or software makes earlier skills insufficient. Training enables existing employees to learn the new methods and operate improved equipment effectively, preventing their knowledge from becoming obsolete.

Step 2: Explain the need for safety and future responsibilities **4. Reduce accidents and damage:** Employees must know the correct operating procedures, safety precautions and limitations of equipment. Training develops safe work habits and reduces mistakes caused by ignorance, protecting workers as well as machinery and materials.

5. Prepare for promotion and higher duties: An employee who performs the present job well may still need additional skills for a senior position. Training prepares employees to handle greater responsibility, supervisory work and more complex tasks, helping the enterprise meet future staffing needs internally.

6. Improve confidence and reduce dependence on supervision: Lack of job knowledge creates uncertainty and repeated requests for guidance. Training makes employees confident about what to do and how to do it. They can work more independently, make fewer avoidable errors and gain satisfaction from competent performance.

Step 3: Conclusion Training is needed to equip new recruits, improve performance, meet technological changes, promote safety, prepare employees for advancement and develop confident, independent workers. It benefits both the enterprise and its employees through better present performance and readiness for future work.

Quick Tip to Solve: Link each reason to a distinct need: entry, efficiency, technology, safety, promotion and confidence. Explain the effect rather than merely listing headings.

25(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 impersonal presentation and promotion of ideas, goods or services by an identified sponsor. It informs and persuades a large audience, but its content and manner of presentation can attract criticism.
- The objections that advertising confuses buyers and that some advertisements are in bad taste must be assessed separately. A criticism of certain advertising practices does not establish that all advertising is harmful.

Step 1: Assess whether advertising confuses rather than helps **Reason for agreeing with the criticism:** Advertisements for competing brands often make similar claims of superiority. Each may claim to offer the best quality, greatest economy or maximum satisfaction. A buyer who cannot verify these competing claims may find it difficult to identify a real difference and choose a suitable product. Exaggerated or incomplete claims can make this confusion worse.

Reason for qualifying the criticism: The objection cannot be accepted as a general statement about advertising. Advertisements also communicate the availability, features, uses and prices of products. This information makes buyers aware of alternatives and can assist comparison. In a competitive market, sellers have a reason to bring the distinctive benefits of their own products to public attention.

Judgement: I agree that conflicting and exaggerated advertisements can confuse consumers, but disagree that advertising necessarily confuses rather than helps. The problem is misleading presentation or uncritical acceptance of claims; truthful, relevant advertisements can help buyers make informed choices.

Step 2: Assess whether some advertisements are in bad taste **Reason for agreeing with the criticism:** Some advertisers use indecent language, objectionable pictures, vulgar appeals or representations that offend social values merely to attract attention. Such presentations may have little connection with the product's real qualities and can be especially unsuitable for children or a general audience. The statement says *some* advertisements, so accepting it does not condemn every advertisement.

Reason for limiting the criticism: What audiences consider acceptable can vary, and numerous advertisements present useful information in a dignified and creative manner. It would therefore be unreasonable to reject the whole advertising function because particular advertisers misuse it.

Judgement: I agree that some advertisements are in bad taste. Advertisers should observe decency and accepted standards of conduct, while objectionable advertisements should be corrected or withdrawn. This addresses the abuse without removing the informative and persuasive benefits of responsible advertising.

Step 3: Conclusion Advertising can confuse when competing claims are exaggerated, but it also helps consumers by supplying product information; the first statement is therefore only partly acceptable. The second statement is acceptable because some advertisements do use objectionable presentations. Both criticisms call for truthful and decent advertising rather than rejection of all advertising.

Quick Tip to Solve: For each quotation, give the objection, its limitation and your judgement. Notice that "some advertisements" is a narrower claim than a criticism of advertising as a whole.

OR

25(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 its intended audience, such as newspapers, magazines, radio, television and outdoor displays.
- The best medium is the one that conveys the required message effectively to prospective buyers within the advertiser's available budget. Wide circulation alone does not establish suitability.

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

- **Nature of the product:** The medium must be capable of presenting the product's important features. A household appliance whose operation needs demonstration may be advertised on television, whereas an industrial machine requiring detailed specifications may be better advertised in a specialised trade journal. A visual medium is useful where appearance or design is the principal attraction.
- **Nature of the target customers:** Consider the buyers' age, income, education, occupation and media habits. The advertisement should appear in a medium that these prospective customers actually read, watch or hear. For example, a technical journal may reach professional buyers more effectively than a general newspaper. An expensive medium is wasteful if its audience does not include the likely purchasers.

Step 2: Consider market coverage and the message's purpose

- **Geographical coverage and reach:** The medium's circulation or audience should correspond to the area in which the product is sold. A neighbourhood retailer may use a local newspaper or outdoor display, while a product distributed throughout the country requires a medium or combination of media with national coverage. Avoid paying for extensive coverage in places where the product is unavailable.
- **Advertising objectives and nature of the message:** Decide whether the advertisement is intended to introduce a product, explain its uses, persuade buyers or remind existing customers. Detailed information requires adequate space or time, whereas a short reminder can use a poster or brief broadcast. A message requiring colour, movement or demonstration needs a medium that can reproduce those elements effectively.

Step 3: Balance expenditure with repeated exposure

- **Cost and available advertising budget:** Compare both the cost of preparing the advertisement and the cost of placing it in each medium. The organisation must be able to afford the campaign. Evaluate the cost of reaching relevant prospective customers, rather than selecting a medium merely because its total charge is low. Television production and airtime, for instance, may exceed a small firm's budget.
- **Frequency, timing and life of the advertisement:** Consider how often the message needs to be repeated, when it must reach buyers and how long it should remain available. A newspaper can communicate a time-bound sale quickly, while a magazine may be retained and read repeatedly. A

broadcast is brief and may need frequent repetition. Select a medium whose schedule and useful life suit the campaign.

Step 4: Conclusion Six relevant factors are the nature of the product, characteristics of target customers, geographical coverage, advertising objectives and message, cost and budget, and the frequency, timing and life required. Considering them together helps the advertiser choose a medium that reaches the right buyers and communicates effectively at an affordable cost.

Quick Tip to Solve: Check product, people, place, purpose, price of the medium and repeated exposure; explain how each changes the choice of medium.