CBSE Class 12 Business Studies Question Paper 2005 with Solution PDF-Set 66/1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

1. State any two functions of middle-level management. [2 marks]

Solution:

Concept:

- Middle-level management links top management with supervisory management. Departmental heads translate the broad plans of the enterprise into departmental action.
- Their functions include interpreting policies, assigning duties and coordinating departmental activities so that organisational objectives can be achieved.

Step 1: Interpret and implement policies **Interpretation of top-management plans:** Middle managers explain the policies and strategies decided by top management to lower-level managers. They prepare suitable departmental plans, arrange the resources needed and guide supervisors in carrying these plans out. Thus a broad organisational objective becomes a clear programme of work for the department.

Step 2: Coordinate departmental work **Coordination:** They cooperate with other departments and coordinate their own departmental activities with the rest of the organisation. For example, a production head coordinates with the sales department so that production follows expected demand. This prevents conflicting efforts and helps departments work towards the common goal.

Step 3: Conclusion Two functions of middle-level management are interpreting and implementing top-management policies, and coordinating departmental activities with other departments.

Quick Tip to Solve: Think of the departmental head: explain the plan downward and coordinate work across departments.

2. What is meant by 'political environment' of business ? [2 marks]

Solution:

Concept:

- The political environment is a dimension of the external business environment. It concerns the political conditions and governmental attitudes within which business operates.
- Political stability and the attitude of political leaders towards business influence business confidence, investment and operating decisions.

Step 1: Define the political environment The political environment of business means the political conditions prevailing in a country, including the stability of its government, the general political climate, and the attitudes of political parties and leaders towards business activities. These external conditions shape the setting in which an enterprise takes decisions.

Step 2: Explain its business significance A stable government and a favourable attitude towards business encourage enterprises to make long-term plans and invest funds. Political uncertainty, frequent changes in government or an unfavourable attitude towards private enterprise may discourage investment and increase uncertainty. These examples explain why political conditions form part of the business environment.

Step 3: Conclusion The political environment comprises political conditions, government stability

and the attitudes of political leaders and parties towards business, all of which influence business decisions.

Quick Tip to Solve: For political environment, remember political climate, government stability and leaders' attitudes towards business.

3. Enumerate any two functions of a supervisor. [2 marks]

Solution:

Concept:

- A supervisor directly oversees the work of operative employees. Supervision forms the link between management and workers at the point where work is performed.
- Giving work instructions and monitoring performance help ensure that actual work follows the plans and standards laid down by management.

Step 1: Guide the workers **Guidance and instruction:** A supervisor explains the work to be done, gives the necessary instructions and helps workers understand the correct method of performing their tasks. The supervisor also resolves day-to-day work difficulties and demonstrates a method when needed. This makes employees clear about their duties and reduces avoidable errors.

Step 2: Monitor work performance **Overseeing and checking work:** A supervisor watches the progress and quality of work and compares actual performance with the required standard. When a mistake or delay is noticed, the supervisor takes timely corrective action and assists the worker. This helps maintain output, quality and discipline in the workplace.

Step 3: Conclusion Two functions of a supervisor are guiding and instructing workers, and monitoring their work to ensure that performance meets the required standards.

Quick Tip to Solve: Place the supervisor on the shop floor: tell workers how to work, then check how the work is progressing.

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

Solution:

Concept:

- The product concept is a marketing management philosophy centred on the quality and features of the product offered to buyers.
- It assumes that consumers favour products offering superior quality, performance and innovative features, so the enterprise concentrates on product improvement.

Step 1: State the underlying belief The product concept of marketing holds that consumers will prefer products that offer the best quality, performance and features. According to this approach, a superior product is the main basis on which customers choose among competing offerings. The emphasis is therefore on the product itself.

Step 2: Identify the managerial emphasis An enterprise following this concept devotes its efforts to making high-quality products and improving them continuously. It seeks better design, durability, performance or features. However, product improvement should remain related to customer needs: a technically excellent product may still fail if buyers do not want it or cannot conveniently obtain and use it.

Step 3: Conclusion The product concept means that consumers favour superior quality, performance and features; hence, the business concentrates on producing and continuously improving its products.

Quick Tip to Solve: Associate the product concept with quality and features; do not confuse it with low-cost mass production or aggressive selling.

5. How does marketing help an enterprise to establish a place in the market ? [2 marks]

Solution:

Concept:

- Marketing identifies customer needs and creates offerings that provide value and satisfaction. It connects an enterprise with the customers it seeks to serve.
- A suitable marketing mix of product, price, promotion and distribution enables a business to attract customers and build a continuing market presence.

Step 1: Match the offering to customer needs Marketing helps an enterprise understand the needs, preferences and purchasing capacity of its target customers. It uses this understanding to offer a suitable product at an acceptable price and make it available through convenient distribution channels. The enterprise thereby gives customers a reason to choose its offering in preference to competing products.

Step 2: Build awareness and customer loyalty Through promotion, marketing informs customers about the product and communicates its distinctive benefits. By delivering the promised value and maintaining customer satisfaction, the enterprise encourages repeat purchases and favourable word of mouth. It can thus build goodwill, retain customers and establish a recognised place for itself in the market.

Step 3: Conclusion Marketing establishes an enterprise in the market by satisfying customer needs through an appropriate offering and by building awareness, goodwill and customer loyalty.

Quick Tip to Solve: Connect market position with two results: customers first recognise the offering, then return because it satisfies their needs.

6. An organisation follows the principles of management. What are the adverse effects of each of the following principles of management on the organisation :

(i) Unity of command

(ii) Order

(iii) Stability of tenure of personnel [3 marks]

Solution:

Concept:

- Fayol's principles guide managerial behaviour; unity of command, order and stability of personnel are intended to improve organisational efficiency.
- The printed question asks for adverse effects of following these principles. Proper observance has beneficial effects; the familiar adverse consequences arise from their violation, rather than from the principles themselves.

Step 1: Clarify the wording Taken literally, following these principles properly has no inherent adverse effect. They should be applied flexibly to the situation, not treated as mechanical rules. To make the distinction clear, the consequences of disregarding each principle are stated below; these must not be attributed to proper observance.

Step 2: Identify the adverse consequences of non-observance **(i) Unity of command:** If an employee receives orders from more than one superior, instructions may conflict. Responsibility becomes difficult to fix and authority is undermined, producing confusion and disputes. One employee should normally receive orders from one boss.

(ii) Order: Without a proper place for everything and everyone, materials are misplaced and employees may be assigned unsuitable positions. Searching, delay and wasted resources reduce efficiency. Material and social order avoid these losses.

(iii) Stability of tenure of personnel: Frequent transfers or replacement prevent employees from learning their jobs and settling into teams. Recruitment and training costs rise, insecurity lowers morale, and productivity suffers before a new worker becomes proficient.

Step 3: Conclusion The principles themselves promote clarity, orderly work and experienced staff. Conflicting orders, waste and personnel insecurity are the respective adverse effects of their non-observance, not of following them correctly.

Quick Tip to Solve: Keep the printed wording distinct from the usual violation question: one boss, a proper place, and enough time to settle into a job describe the benefits.

7. Why is leadership considered as the most important element of directing function of management ? Give any three reasons. [3 marks]

Solution:

Concept:

- Leadership is the process of influencing people so that they willingly work towards the achievement of organisational objectives.

- As an element of directing, leadership converts formal instructions into willing cooperation, motivates employees and helps them accept change.

Step 1: Explain willing cooperation **1. Influences behaviour towards goals:** A leader explains the purpose of work and sets a personal example. Employees are encouraged to identify their own efforts with organisational objectives. Consequently, directions are followed with understanding and commitment rather than only because a superior possesses formal authority.

Step 2: Explain motivation and adjustment **2. Motivates and builds confidence:** A leader recognises employee needs, offers encouragement and supports people when difficulties arise. This develops confidence and team spirit, making employees more willing to contribute their abilities and sustain effort towards the desired results.

3. Facilitates change: New methods and policies may create fear or resistance. A leader explains why change is necessary, listens to doubts and guides employees through the adjustment. Trust in the leader reduces resistance and helps the organisation implement improvements successfully.

Step 3: Conclusion Leadership is a vital element of directing because it secures willing cooperation, motivates employees and helps them accept necessary change. These three contributions enable management to translate plans into effective action.

Quick Tip to Solve: Link each reason to employee behaviour: willingness to work, confidence to perform, and readiness to accept change.

8. "Managerial functions cannot be carried out without an efficient system of communication." Do you agree ? Give any three reasons is support of your answer. [3 marks]

Solution:

Concept:

- Communication is the exchange of facts, ideas and understanding between people. It requires the message to be understood, not merely sent.
- Planning, organising, staffing, directing and controlling depend on the movement of accurate information, instructions and feedback.

Step 1: State agreement and explain decision-making Yes, I agree. **1. Provides a basis for planning and decisions:** Managers need reliable information about resources, demand, employee performance and operating conditions. Communication brings this information to the decision-maker and conveys approved plans to those who must implement them. Without it, even a sound plan may remain unknown or misunderstood.

Step 2: Explain coordination and managerial control **2. Enables coordination:** Departments and individuals perform interdependent activities. By communicating objectives, duties and schedules, managers link their efforts and prevent duplication or conflicting action. For example, production and sales must exchange information so that output matches requirements.

3. Makes direction and control effective: Employees need clear instructions and performance standards to know what is expected. Feedback communicates actual results and difficulties to managers, who can compare performance with standards and explain corrective action. Without this

two-way flow, deviations remain undetected or cannot be corrected promptly.

Step 3: Conclusion An efficient communication system is indispensable to managerial functions: it supports informed decisions, coordinates interdependent work, and carries the instructions and feedback required for direction and control.

Quick Tip to Solve: For three distinct reasons, connect communication with information for decisions, coordination of work, and feedback for control.

9. **Enumerate any three product related factors that should be taken into consideration while taking a decision on the choice of channel of distribution for any product.** [3 marks]

Solution:

Concept:

- Channels of distribution are the routes through which products move from producers to consumers, directly or through intermediaries.
- Product characteristics affect the required speed of delivery, physical handling and specialised selling or service; these influence channel length.

Step 1: Consider perishability and unit value **1. Perishable nature:** Products that deteriorate quickly, such as fresh milk and vegetables, generally need a short or direct channel. Fewer stages reduce time in transit and storage, helping the product reach consumers before its quality declines. Durable goods can usually pass through a longer channel.

2. Unit value: High-value products can bear the expense of direct selling or a short channel, and customers often expect individual attention. Low-unit-value goods commonly use intermediaries to distribute many units economically and reach a large number of buyers.

Step 2: Consider technical complexity **3. Technical nature:** A complex product, such as specialised industrial equipment, may require demonstration, installation and after-sales service. Direct selling or a short channel using technically competent dealers allows the producer to explain its operation and provide support. Simple, standardised consumer products require less technical assistance and are more suitable for wider distribution through intermediaries. These are product-related factors; the size of the market or a firm's finances would belong to other categories.

Step 3: Conclusion Three product-related considerations are perishability, unit value and technical complexity. Together they help decide whether rapid direct delivery, personalised selling and service, or wider distribution through intermediaries is appropriate.

Quick Tip to Solve: Use three product headings: shelf life, value per unit and technical service. Explain how each tends to shorten or lengthen the channel.

10. State any three features of personal selling. [3 marks]

Solution:

Concept:

- Personal selling is oral communication with one or more prospective buyers for the purpose of making a sale. A salesperson personally explains the product and persuades the buyer.
- Its distinguishing features arise from direct interaction: the message can be adapted to the customer and the customer's reaction can be obtained immediately.

Step 1: State the personal nature of the contact

- **Personal form of communication:** Personal selling involves direct personal contact between the salesperson and the prospective buyer. The salesperson explains the product's uses and benefits to an identifiable customer rather than sending an impersonal message to a large audience.

Step 2: Explain flexibility and immediate feedback

- **Flexibility:** The salesperson can change the sales presentation according to the buyer's needs, understanding and objections. For example, a doubtful buyer can be given a further explanation or demonstration before being asked to purchase.
- **Direct feedback:** The buyer can ask questions and express doubts immediately. The salesperson observes the buyer's words and reactions, answers objections on the spot and adjusts the presentation accordingly. Communication therefore works in both directions.

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

Quick Tip to Solve: Link each feature to the salesperson's direct contact with the buyer: a personal message, an adaptable explanation and an immediate response.

11. Describe, in brief, Taylor's principles of
(i) co-operation, not individualism, and
(ii) maximum, not restricted output. [4 marks]

Solution:

Concept:

- Taylor's scientific management seeks to increase efficiency and prosperity by replacing wasteful practices with scientific methods and by changing the attitude of both management and workers.
- Co-operation and maximum output are complementary principles: joint effort makes higher productivity possible, and higher productivity creates a larger surplus from which both sides can benefit.

Step 1: Explain co-operation, not individualism

- **Work together towards common objectives:** There should be complete co-operation between workers and management instead of each side pursuing its interests in isolation. Management should recognise workers as partners in achieving the organisation's objectives and encourage their

useful suggestions.

- **Accept mutual responsibilities:** Management should establish scientific methods, train and guide workers, and share the gains of increased efficiency. Workers should co-operate in applying those methods and should avoid unnecessary resistance or disputes. Both sides need a change in outlook so that joint prosperity replaces suspicion and conflict.

Step 2: Explain maximum, not restricted output

- **Aim at the greatest efficient production:** Management and workers should strive to maximise output through scientific methods and the efficient use of resources. Workers should not deliberately restrict production because of the fear that higher output will reduce employment or lead to an unfair cut in their wages.
- **Increase prosperity through productivity:** Higher output spreads costs over more units and reduces the cost per unit. The resulting gains make better wages for workers and higher earnings for the business possible; consumers can also benefit through lower prices. The objective is a larger total surplus, rather than a struggle over a small surplus created by restricted production.

Step 3: Conclusion Co-operation, not individualism requires management and workers to act as partners. Maximum, not restricted output requires their joint effort to raise efficient production so that the benefits of greater productivity can be shared.

Quick Tip to Solve: For each principle, explain both the behaviour Taylor recommends and its benefit: partnership replaces isolated effort, while greater output enlarges the gains available to all.

12. Define the term 'Organisational Structure' and enumerate any three considerations to be kept in mind while building an organisational structure. [4 marks]

Solution:

Concept:

- Organisational structure is the framework of jobs, departments and authority-responsibility relationships through which the work of an organisation is divided, coordinated and directed.
- A suitable structure must help the enterprise achieve its objectives. Its design therefore depends on the work to be performed and the scale on which that work is carried out.

Step 1: Define organisational structure Organisational structure means the framework within which managerial and operating tasks are performed. It specifies who performs each task, who reports to whom, and how the activities of different persons and departments are coordinated. Thus it establishes the relationships between jobs and positions rather than merely listing the names of employees.

Step 2: Enumerate three considerations in designing the structure

- **Objectives of the enterprise:** The structure should facilitate the enterprise's stated goals. Activities necessary for achieving those goals must receive a clear place, and responsibility and authority must be assigned accordingly. For example, an enterprise seeking wider market coverage needs a suitable arrangement for its sales activities.
- **Nature of activities:** The kind of work undertaken determines the activities to be grouped and coordinated. A manufacturing concern needs arrangements for production and related operations,

whereas a trading concern concentrates on buying and selling. Similar activities should be grouped in a way that supports specialisation and coordination.

- **Size and scale of operations:** A small concern can operate with fewer departments and levels of authority. As the number of employees, products and locations increases, more systematic departmentalisation and delegation become necessary. The structure should suit the present scale and allow reasonable scope for expansion.

Step 3: Conclusion Organisational structure is the framework of work and authority relationships. Three considerations in building it are the enterprise's objectives, the nature of its activities and the size or scale of its operations.

Quick Tip to Solve: Keep the definition focused on jobs and reporting relationships; then enumerate objectives, nature of work and size as three separate design considerations.

13. The workers of a factory are demanding the introduction of time-wage system in place of the existing piece-rate system of wage payment. The management is not prepared to accept this demand of the workers. Why, in your opinion, is the management opposing this demend ? Explain in brief any four reasons. [4 marks]

Solution:

Concept:

- Under the time-wage system, remuneration is based on the time spent at work. Under the piece-rate system, remuneration depends on the number of units produced.
- Management may oppose replacing piece wages with time wages because the direct connection between individual output and earnings would be removed. Its concern is the effect on effort, supervision and production cost.

Step 1: Identify the effect of the proposed change The case proposes the 'introduction of time-wage system in place of the existing piece-rate system of wage payment'. Workers presently increase their earnings by producing more units under the piece-rate system. If time wages replace it, their earnings for a given period will no longer automatically rise with their individual output. Management may therefore fear that paying for time alone will weaken the incentive to maintain the present rate of work.

Step 2: Explain four reasons for management's opposition

- **Reduced incentive to increase output:** An efficient worker receives no automatic extra remuneration for producing more during the same working time. Management may fear that workers will have less motivation to use their full productive capacity and that factory output will fall.
- **No direct distinction between efficient and inefficient workers:** Workers paid at the same time rate receive equal wages for equal time even when their output differs. More productive workers may feel that their greater effort is not rewarded and may reduce their effort to the level of others.
- **Greater need for supervision:** Because wages are payable for the time worked, management must watch the pace of work more closely to prevent avoidable idleness and deliberate slowing down. Additional supervision uses managerial time and can increase supervisory expenditure.

- **Uncertainty about labour cost per unit:** Under piece wages, the direct wage attached to each unit is known in advance. Under time wages, the wage bill for a period does not necessarily fall when output falls. Consequently, lower output can raise labour cost per unit and make production costing and cost control more difficult.

Step 3: Conclusion Management may oppose the demand because time wages can weaken the output incentive, fail to reward differences in efficiency directly, require closer supervision and make labour cost per unit less predictable.

Quick Tip to Solve: Link every reason to the change from payment for output to payment for time; explain management's concerns rather than merely describing the two systems.

14. "In today's commercial world, the stock exchange performs many vital functions." Do you agree ? Give any four reasons in support of your answer. [4 marks]

Solution:

Concept:

- A stock exchange is an organised market in which existing securities, such as shares and debentures, are bought and sold under prescribed rules.
- Its functions connect investors who seek liquidity with businesses that need a continuing flow of savings into productive investment.

Step 1: State agreement and explain liquidity and valuation Yes, I agree with the statement. The following functions show the importance of the stock exchange in commercial activity.

- **Providing liquidity and marketability:** The exchange offers a ready market for existing securities. Investors can sell their holdings to other investors when they need money rather than waiting for the company to repay capital. This facility makes investment in securities more attractive.
- **Pricing of securities:** Prices emerge through the interaction of demand and supply in organised trading. They reflect investors' assessment of a company's prospects and provide a basis for valuing securities. Investors can use these quotations when deciding whether to buy, hold or sell.

Step 2: Explain safety and the contribution to economic growth

- **Safety of transactions:** Trading takes place within an established legal and regulatory framework. Listed companies and market participants must follow prescribed requirements, while exchange rules govern transactions. Such supervision reduces malpractices and protects investors, although it does not guarantee profits or remove market risk.
- **Contributing to economic growth:** Trading enables investors to assess and reassess securities and shift their funds towards enterprises with better prospects. A functioning secondary market also encourages people to invest in new issues because they have an opportunity to sell later. Thus savings are channelled towards productive investment and capital formation.

Step 3: Conclusion The statement is justified: liquidity, price determination, regulated transactions and the channelisation of savings into productive investment make the stock exchange vital to the commercial world.

Quick Tip to Solve: For each function, name the service first and then explain how it benefits investors or the economy. Do not describe the stock exchange as a guarantee against investment losses.

15. Distinguish between Capital market and Money market on the basis of

(i) Liquidity,

(ii) Expected Return,

(iii) Duration, and

(iv) Instruments traded. [4 marks]

Solution:

Concept:

- The capital market deals in medium-term and long-term funds, including equity capital. The money market deals in short-term funds with maturities up to one year.
- Liquidity means the ease of converting an investment into cash. Expected return is the anticipated income or gain, and must be distinguished from a guaranteed return.

Step 1: Identify the four bases of comparison Compare the two markets on the bases specified in the question. Duration concerns the period of finance, whereas liquidity concerns how readily a security can be converted into cash. A long-term security may be sold before maturity, so these are separate bases. The following table gives the distinctions in the same order as the question.

Step 2: Present the distinctions

Basis	Capital market	Money market
Liquidity	Securities are generally less liquid than money-market instruments. Listed securities can be sold on a stock exchange, but finding a buyer at an acceptable price may take time.	Instruments are generally highly liquid because they have short maturities and an active market; many are close substitutes for cash.
Expected return	Expected returns are generally higher, reflecting longer investment periods and greater risk. Returns may include dividends, interest and capital gains.	Expected returns are generally lower because instruments are short-term and usually carry relatively low risk.
Duration	Deals in medium-term and long-term funds, generally for periods exceeding one year. Equity shares have no fixed maturity.	Deals in short-term funds for periods up to one year, including very short-term borrowing.
Instruments traded	Equity shares, preference shares, debentures and bonds are major instruments.	Treasury bills, commercial paper, call money, certificates of deposit and commercial bills are major instruments.

Step 3: Conclusion The capital market chiefly provides longer-term finance with generally higher expected returns and relatively lower liquidity. The money market provides highly liquid short-term instruments with generally lower expected returns.

Quick Tip to Solve: Keep maturity and liquidity separate: a long-term share may still be sold today. Use "generally" for liquidity and returns because individual securities can differ.

16. "Management is regarded as a perfect science." Do you agree ? Explain in brief any five reasons.

[5 marks]

Solution:

Concept:

- Science is a systematic body of knowledge whose principles arise from observation and experimentation. A perfect or exact science gives precise results under specified conditions.
- Management has a systematic body of knowledge, but it deals with human beings and changing organisational situations. It is therefore an inexact science, often described as a social or behavioural science.

Step 1: State the disagreement and examine human behaviour No, management cannot be regarded as a perfect science. The following five reasons explain this view.

- **Human behaviour is variable:** Management deals with people whose attitudes, needs, abilities and reactions differ. The same incentive or leadership approach may motivate one employee and fail to motivate another. Human responses cannot be predicted with the precision of a physical reaction.
- **Controlled experiments are difficult:** Management principles develop through observation, experience and experiments in actual organisations. Unlike a laboratory, an organisation cannot easily hold every other factor constant while changing only one factor. Consequently, it is difficult to isolate the exact cause of a result.

Step 2: Explain the limits of managerial principles

- **Principles are not rigid laws:** Management principles are broad guidelines, rather than universally exact rules. For example, the appropriate degree of centralisation depends on the size of the organisation, the competence of subordinates and the nature of decisions. Their application requires judgement.
- **Application is contingent on circumstances:** The suitability of a principle depends on the situation, including technology, culture and the business environment. A method successful in one enterprise or at one time may need modification elsewhere. Principles have general applicability, but their precise use is conditional.
- **Results cannot be forecast exactly:** Organisational performance is influenced simultaneously by employees, competitors, government policy and other changing factors. A managerial action therefore indicates a probable outcome rather than guaranteeing a precise numerical result. There is no fixed cause-and-effect relationship that operates identically in every case.

Step 3: Conclusion Management possesses scientific knowledge, but variability in human behaviour, limited experimental control, flexible principles, situational application and uncertain results make it an inexact social science rather than a perfect science.

Quick Tip to Solve: Begin by rejecting the word "perfect", then link each reason to why management cannot produce identical, precisely predictable results in every organisation.

17. Explain briefly any five positive impacts of globalisation and liberalisation on business and industry in India. [5 marks]

Solution:

Concept:

- Liberalisation means removing unnecessary government controls and restrictions on business, such as industrial licensing and restrictions on expansion. It gives enterprises greater freedom to take business decisions.
- Globalisation integrates the Indian economy with the world economy through trade, investment, technology and other business links. Together these reforms create opportunities for Indian business and industry.

Step 1: Explain the gains in freedom, investment and technology Five positive impacts of globalisation and liberalisation on business and industry in India are as follows.

- **Greater freedom for business expansion:** Reduction of industrial licensing and other controls enables enterprises to establish units, diversify and expand capacity with fewer administrative obstacles. Entrepreneurs can respond more quickly to market opportunities and devote more attention to production and growth.
- **Increased investment and collaboration:** Easier entry of foreign investment provides additional capital for industrial development. Joint ventures and other collaborations can bring managerial expertise and international business experience, helping Indian enterprises develop their productive capacity.
- **Access to better technology:** Closer links with overseas enterprises and easier import of capital goods make modern machinery, production methods and technical knowledge more accessible. Their adoption can improve productivity, reduce wastage and raise the quality of Indian products.

Step 2: Explain the gains from markets and competition

- **Wider markets and export opportunities:** Integration with world markets enables Indian firms to look beyond domestic demand. They can sell to overseas customers, participate in international supply networks and expand the scale of their operations. Access to a larger market creates opportunities to increase sales and earn foreign exchange.
- **Improved efficiency and competitiveness:** Exposure to domestic and foreign competitors encourages firms to control costs, improve quality, innovate and provide better customer service. Enterprises that successfully make these improvements become stronger in both Indian and international markets. Thus competition stimulates modernisation rather than allowing inefficient practices to continue behind protection.

These are opportunities and favourable effects of the reforms; each enterprise must use appropriate strategies to obtain the benefits.

Step 3: Conclusion Liberalisation and globalisation benefit Indian business through greater operational freedom, additional investment, modern technology, wider markets and stronger efficiency and competitiveness.

Quick Tip to Solve: Organise the answer around five business gains: freedom, investment, technology, markets and efficiency. Explain how each gain helps an enterprise rather than merely naming the reform.

18. "Controlling helps in financial matters and maintaining and improving quality." Explain this statement, in brief. [5 marks]

Solution:

Concept:

- Controlling means comparing actual performance with predetermined standards, finding significant deviations and taking corrective action. It checks whether resources are being used to achieve the planned results.
- Financial standards include budgets, costs and returns, while quality standards specify the characteristics and acceptable performance of a product or service. Control applies to both kinds of standards.

Step 1: Explain control over financial performance

- **Control expenditure through budgets:** Management fixes budgets for expenditure and compares actual spending with the amounts allowed. An unfavourable variance draws attention to overspending so that its cause can be investigated and avoidable expenditure can be checked.
- **Reduce costs and prevent waste:** Cost standards for materials, labour and other inputs help identify excessive consumption, idle time and inefficient methods. Corrective action, such as improved supervision or better work methods, reduces wastage and protects profits.
- **Check financial results:** Comparison of actual sales, profits and returns with targets shows whether funds are producing the expected results. Managers can correct poor performance and use scarce financial resources more effectively instead of continuing an unproductive activity unchecked.

Step 2: Explain how control maintains and improves quality

- **Maintain prescribed quality:** Management sets quality standards for inputs, production and finished output. Inspection and testing compare actual quality with these standards, detect defects and enable correction before defective goods reach customers. Consistent compliance maintains the promised quality.
- **Remove causes of defects and improve performance:** Analysis of recurring defects may reveal inferior materials, faulty machines or inadequate employee training. Better materials, machine maintenance and training correct these causes. Feedback from control can also identify improved processes and support better quality standards, thereby improving reliability and customer satisfaction.

Step 3: Conclusion Controlling assists financial management by checking expenditure, waste and financial results. It maintains and improves quality by comparing output with quality standards and correcting the causes of defects. Thus, the same cycle of standards, measurement, comparison and corrective action supports both financial efficiency and dependable quality.

Quick Tip to Solve: Organise this answer under two headings: financial control and quality control. In each, link a standard to a comparison and a corrective action rather than merely listing benefits.

19. Explain in brief any five factors which affect the requirement of fixed capital of an enterprise.

[5 marks]

Solution:

Concept:

- Fixed capital is the investment in long-term assets such as land, buildings, plant and machinery. These assets support business operations over several years rather than being used up in a single operating cycle.
- The requirement of fixed capital depends on the kind and size of business and the methods and plans through which it operates. A factor must be explained by showing why it increases or reduces the investment in long-term assets.

Step 1: Examine the nature and scale of operations

- **Nature of business:** A manufacturing enterprise generally needs substantial fixed capital for its factory, plant and machinery. A trading enterprise, which buys and sells goods without manufacturing them, usually needs less investment in such assets. Thus, the activities undertaken influence the amount of fixed capital required.
- **Scale of operations:** A large enterprise requires greater production capacity, larger premises and more equipment than a small enterprise carrying on similar activities. Consequently, the total fixed-capital requirement normally rises as the scale of operations expands.

Step 2: Examine production methods, replacement needs and future expansion

- **Choice of technique:** A capital-intensive technique relies heavily on machinery and automated equipment and therefore requires more fixed capital. A labour-intensive technique relies more on human effort and generally requires a smaller initial investment in plant and machinery for comparable operations.
- **Technology upgradation:** Where technology changes rapidly, existing machinery and equipment may become obsolete well before they physically wear out. Enterprises in such industries must provide for replacement and upgradation more frequently and therefore need greater fixed-capital resources than enterprises using stable technology.
- **Growth prospects:** An enterprise expecting substantial growth must create additional long-term capacity, for example through more premises, machinery or equipment. Its fixed-capital requirement is therefore greater than that of a comparable enterprise expecting to continue at its present level of activity.

Step 3: Conclusion Five factors affecting fixed-capital requirements are the nature of business, scale of operations, choice of technique, need for technology upgradation and growth prospects. Manufacturing, larger operations, capital-intensive production, rapid technological change and planned expansion generally increase the funds required for long-term assets.

Quick Tip to Solve: For each factor, explain the effect on land, buildings, machinery or equipment. This keeps the answer focused on fixed capital rather than day-to-day working capital.

20. You have joined as a finance advisor in a company and found that the company was under-capitalised. The directors of the company do not agree with you as they are ignorant about the meaning of under-capitalisation. Explain to them the meaning of 'under-capitalisation' and convince them by giving four reasons in support of your viewpoint. [5 marks]

Solution:

Concept:

- Under-capitalisation is a situation in which a company's actual capitalisation is less than the capitalisation justified by its earning capacity. It consequently earns an abnormally high rate of return compared with similar companies.
- Capitalisation must be judged in relation to sustainable earnings and the normal industry return. Under-capitalisation does not simply mean a temporary shortage of cash or working capital.

Step 1: Explain the meaning to the directors The adviser's finding that "the company was under-capitalised" identifies the condition that must be explained to the directors. A company is under-capitalised when the amount of capital represented by its securities is comparatively small in relation to its earning capacity. Its profits are therefore high relative to the capital employed, and the real value of its shares may exceed their face value. The relevant comparison is with the normal return earned by comparable concerns, rather than the absolute amount of profit alone. To establish the diagnosis, the finance adviser should compare the company's maintainable earnings and capitalisation with that normal return.

Step 2: Explain four reasons for under-capitalisation

- **Underestimation of capital requirements:** At promotion, the promoters may estimate financial requirements too low and issue a small amount of share capital. If the business subsequently earns normal or high total profits on this small capital base, its rate of return becomes unusually high.
- **Underestimation of future earnings:** The promoters may make an unduly cautious estimate of the firm's earning capacity and determine capitalisation on that basis. When actual sustainable earnings exceed their estimate, the capitalisation proves too low in relation to the profits earned.
- **Promotion during a depression:** A company established during depressed conditions may acquire land, buildings, machinery and other assets at low prices. When business conditions recover, it can earn larger profits while its original capitalisation remains based on the low acquisition cost.
- **Conservative dividend policy:** A company may retain a substantial part of its profits instead of distributing them as dividends. Reinvestment of these retained profits expands assets and earning capacity without a corresponding fresh issue of share capital, producing high earnings relative to the original capitalisation.

These are reasons that can explain the condition; the adviser should establish which of them actually applies from the company's records, rather than assume facts not provided in the case.

Step 3: Conclusion The company is under-capitalised if its capitalisation is lower than that warranted by its maintainable earning capacity, giving an abnormally high return on capital. Underestimated capital needs, underestimated earnings, low asset costs during depression and accumulated retained profits are four reasons that can produce this position.

Quick Tip to Solve: Link under-capitalisation with a high earning rate on a comparatively small capital base; do not confuse it with a temporary cash shortage.

21(a). Explain, in brief, any six limitations of planning. [6 marks]

Solution:

Concept:

- Planning means deciding in advance what is to be done, how it is to be done, when it is to be done and who is to do it. It provides direction but operates under practical limitations.
- Plans concern the future and depend on assumptions. Their usefulness therefore requires flexibility, sound judgement and effective implementation rather than mechanical adherence.

Step 1: Explain limitations affecting adaptability and initiative

- **Planning leads to rigidity:** Once a detailed plan fixes objectives, procedures and methods, managers and employees may be required to follow it strictly. Such inflexibility can restrict discretion even when a changed situation calls for a different response. Plans should guide action, but rigid adherence can become an obstacle.
- **Planning may not work in a dynamic environment:** Plans are based on forecasts and assumptions about economic conditions, competitors, technology and government policy. Unexpected changes can make these assumptions inaccurate and the plan unsuitable. A business cannot fully control these external forces, so even careful planning cannot remove uncertainty.
- **Planning reduces creativity:** Planning is often concentrated at the top level while employees at other levels mainly implement predetermined decisions. If they are expected merely to obey the plan, their initiative and willingness to suggest new methods may decline. Useful ideas from those doing the work can consequently remain unused.

Step 2: Explain limitations involving cost, time and results

- **Planning involves huge costs:** Collecting information, conducting surveys, employing experts and evaluating alternatives require money and managerial effort. Elaborate planning can become uneconomical if its cost exceeds the benefit expected from the resulting plan. The scale of planning must therefore suit the decision's importance.
- **Planning is a time-consuming process:** Developing forecasts, comparing possible courses of action and obtaining approval can take considerable time. In an urgent situation, an opportunity may disappear before a detailed plan is completed. Excessive deliberation can delay the action that the business needs.
- **Planning does not guarantee success:** A sound plan still needs proper organising, staffing, direction and control to produce results. Moreover, managers may repeat a previously successful plan without examining new conditions. Neither preparing a plan nor relying on past success ensures that present objectives will be achieved.

Step 3: Conclusion Six limitations of planning are rigidity, difficulty in a dynamic environment, reduced creativity, high cost, time consumption and the absence of any guarantee of success. Management should recognise these limitations and keep plans responsive to actual conditions while implementing them effectively.

Quick Tip to Solve: Recall the six headings as rigidity, change, creativity, cost, time and success; explain how each can obstruct effective managerial action.

OR

21(b). "Planning is of vital importance in the managerial process." Do you agree ? Explain in brief any five reasons in support of your answer. [6 marks]

Solution:

Concept:

- Planning is the management function of deciding in advance what is to be done, how it is to be done, when it is to be done and by whom. It links the present position of an enterprise with its desired future position.
- Planning is primary to other managerial functions: organising resources, staffing positions, directing employees and controlling results all need clearly stated objectives and courses of action.

Step 1: State agreement and explain direction and preparedness Yes, planning is of vital importance in the managerial process. The following five reasons support this view.

- **Provides direction:** Plans specify the objectives towards which the organisation and its departments must work. Employees understand what they are expected to accomplish and how their activities contribute to common goals. This coordinates individual effort and prevents different departments from pursuing conflicting purposes.
- **Reduces the risks of uncertainty:** Planning requires managers to look ahead, anticipate possible changes and consider their likely effects. They can prepare suitable courses of action and contingency arrangements before difficulties arise. Planning cannot eliminate uncertainty, but preparation reduces avoidable disruption and makes the enterprise better able to respond to change.

Step 2: Explain efficiency, choice and control

- **Reduces overlapping and wasteful activities:** A plan defines the work to be performed and coordinates the use of resources. Unnecessary repetition of work, confusion over responsibilities and conflicting activities can be identified and removed. Time, money and effort can therefore be used more economically.
- **Facilitates decision making:** Planning involves identifying alternative courses of action, assessing their likely costs and benefits, and selecting the most suitable one in the light of objectives. Managers therefore make reasoned choices instead of relying only on immediate reactions or guesswork. The selected plan also guides subsequent operating decisions.
- **Establishes standards for controlling:** Plans lay down the results expected within a given period. Actual performance can be compared with these standards to identify deviations, investigate their causes and take corrective action. Without planned targets, managers would lack a clear basis for judging whether performance is satisfactory.

Step 3: Conclusion Thus, the statement is justified: planning gives direction, prepares the enterprise for uncertainty, avoids waste, facilitates rational decisions and supplies the standards needed for control. Its value lies in guiding coordinated action towards objectives, although plans must remain responsive to changing conditions.

Quick Tip to Solve: Organise the five reasons around five managerial needs: a goal to follow, preparation for change, efficient work, a sound choice and a standard for checking results. Explain the effect of each reason, rather than listing headings alone.

22(a). Distinguish between formal and informal organsiations on the basis of

(i) Communication,

(ii) Flow of authority,

(iii) Tenure,

(iv) Leadership,

(v) Durability, and

(vi) Interdependence. [6 marks]

Solution:

Concept:

- Formal organisation is the structure of jobs, authority and reporting relationships deliberately established by management to achieve organisational objectives.
- Informal organisation is the network of personal and social relationships that develops spontaneously among people interacting at work. It is not prescribed in the organisation chart.

Step 1: Distinguish the organisations on the six specified bases

Basis	Formal organisation	Informal organisation
Communication	Follows officially prescribed channels and reporting relationships.	Passes through personal contacts or the grapevine, without a prescribed route.
Flow of authority	Flows through the official hierarchy, principally from superior to subordinate; authority belongs to the post.	Influence flows in different directions according to personal relationships and the group's acceptance.
Tenure	The official role continues for the period determined by appointment, employment conditions and management decisions.	Membership has no formally fixed term; it lasts while the individual participates and is accepted by the group.
Leadership	Leaders are appointed by management and exercise the authority of their official positions.	Leaders emerge through acceptance of their personal qualities and influence, without managerial appointment.
Durability	Relatively stable: defined jobs and reporting relationships survive changes in individual employees.	Less stable: groups may change or disappear as membership, interests and personal contacts change.
Interdependence	Can be established independently of any particular informal group; its existence does not require that group.	Arises from interaction among people in the formal organisation and depends on that setting for its emergence.

Step 2: Explain the underlying distinction The formal structure is based on positions and consciously allocated duties, so a manager's authority does not depend on personal popularity. Informal relationships are based on social acceptance: an employee without a senior post may still influence colleagues. Both forms coexist in an enterprise, and informal contacts can help employees cooperate across official reporting lines. The distinction in tenure concerns a person's role or membership, whereas durability concerns the continuing existence of the structure or group itself.

Step 3: Conclusion Formal organisation rests on officially defined positions, rules and authority; informal organisation rests on spontaneously developed relationships and personal influence. The table distinguishes them on communication, flow of authority, tenure, leadership, durability and interdependence.

Quick Tip to Solve: Use all six printed bases as table rows. Keep tenure, the duration of an individual's membership or role, distinct from durability, the stability of the structure or group.

OR

22(b). Delegation of authority is based on the elementary principle of division of labour." Explain this statement. [6 marks]

Solution:

Concept:

- Delegation is the transfer of authority from a superior to a subordinate to carry out assigned duties. It involves assignment of responsibility, grant of authority and creation of accountability.
- Division of labour breaks the total work into manageable tasks and allocates them to different persons. Delegation makes this allocation workable by giving each person the power needed to do the assigned work.

Step 1: Divide the work and assign duties

- **Recognise the limits of one person:** A manager cannot personally perform every activity as an organisation grows. The total work must therefore be divided among several people instead of remaining concentrated in the manager's hands.
- **Allocate a definite part of the work:** The superior retains important duties and assigns other tasks to subordinates according to their abilities. Each subordinate becomes responsible for completing an identifiable portion of the common work. This is the direct application of division of labour.

Step 2: Give authority corresponding to the assigned responsibility

- **Make the division effective:** Merely telling a subordinate to perform a task is insufficient. The superior must grant the authority to take the decisions, use the resources and issue the instructions necessary for that task. Responsibility and the authority to discharge it must be suitably balanced.
- **Obtain specialisation:** Repeated attention to a particular class of work develops skill and experience. For example, assigning routine purchasing to a purchase officer with power to place orders within an approved limit enables that officer to specialise while the manager concentrates on broader decisions.

Step 3: Maintain accountability and coordinate the divided work

- **Create answerability for performance:** The subordinate must report the results of the assigned work to the superior. Delegation does not mean surrendering control; the superior reviews performance and remains accountable to higher management for the overall result.
- **Combine individual contributions:** Clearly defined duties and authority reduce confusion and duplication. The manager coordinates the separate tasks so that specialised efforts contribute to organisational objectives. Delegation thus frees managerial time without breaking the unity of the enterprise.

Step 4: Conclusion Delegation is based on division of labour because it distributes a manager's work among subordinates and gives them the authority needed to perform their shares. Responsibility, authority and accountability turn the division of work into effective, coordinated performance.

Quick Tip to Solve: Link the statement in order: divide the work, assign responsibility, grant matching authority and review results. Explain the link rather than only listing the benefits of delegation.

23(a). Why is staffing an important function of management in all organisations ? Explain, in brief, any six reasons. [6 marks]

Solution:

Concept:

- Staffing is the managerial function of filling and keeping filled the positions in the organisation structure. It includes estimating manpower needs, recruitment, selection, placement, training, development and appraisal.
- An organisation achieves results through people. Staffing supplies suitable employees and develops their abilities so that physical, financial and other resources can be used effectively.

Step 1: Explain how staffing secures and uses suitable talent

- **Obtaining competent personnel:** Staffing identifies the number and kind of employees needed, attracts suitable applicants and selects capable people. Every organisation needs employees with the qualifications, knowledge and skills required for its work; a sound recruitment and selection process helps meet that need.
- **Improving performance through proper placement:** Selection and placement put the right person in the right job. Matching an employee's abilities with the duties of the position enables the employee to perform efficiently and reduces mistakes caused by a poor fit between the person and the work.
- **Ensuring optimum use of human resources:** Manpower planning helps avoid both overstaffing and understaffing. Adequate staffing distributes workloads sensibly, prevents employees from remaining idle and reduces the excessive burden that a shortage of staff would place on existing employees.

Step 2: Explain how staffing develops and retains employees

- **Developing employees for changing needs:** Training improves the skills needed for present duties, while development prepares employees for wider responsibilities. Employees can therefore adapt to new methods and technology, and the organisation gains a more capable workforce.
- **Ensuring continuity and growth:** Executive development and career planning create a pool of employees ready to take over higher positions. Vacancies arising from retirement, promotion or expansion can be filled more effectively, supporting the organisation's continued functioning and future growth.
- **Improving job satisfaction and morale:** Fair appraisal, suitable remuneration, recognition and opportunities for promotion give employees a sense of progress and fair treatment. This strengthens their willingness to contribute, helps retain useful employees and reduces avoidable employee turnover.

Step 3: Conclusion Staffing is important in every organisation because it secures competent people, places them suitably, uses their services efficiently, develops their abilities, prepares successors and promotes employee satisfaction. Even well-designed plans and abundant resources need capable and motivated people to produce results.

Quick Tip to Solve: Keep the six reasons distinct: acquisition, placement, utilisation, development, continuity and morale. Explain the organisational benefit of each reason instead of only naming staffing activities.

OR

23(b). Explain, in brief, any six external sources of recruitment of employees. [6 marks]

Solution:

Concept:

- Recruitment means searching for prospective employees and encouraging them to apply for jobs in an organisation. External recruitment seeks candidates from outside the existing workforce.
- External sources widen the choice of applicants and bring fresh talent into the enterprise. The appropriate source depends on the qualifications required and the nature of the vacancy.

Step 1: Explain sources that reach the general labour market

- **Direct recruitment:** The organisation displays a notice at its premises stating the vacancies, and candidates assemble on the specified date for selection. This is commonly used for casual or unskilled workers and provides a simple, inexpensive way of filling such positions.
- **Casual callers:** Organisations retain applications received from people who apply on their own initiative even when no vacancy has been advertised. When a suitable vacancy arises, the personnel department examines this database and invites eligible applicants, saving fresh search costs.
- **Advertisement:** Vacancies are announced through newspapers, professional journals or other suitable media. The advertisement describes the job, required qualifications and application procedure. It reaches a wide geographical area and is useful when the organisation needs qualified or experienced applicants.

Step 2: Explain sources that connect employers with suitable candidates

- **Employment exchanges:** Government employment exchanges register job seekers and maintain information about their qualifications and experience. Employers notify vacancies, and exchanges sponsor candidates whose details match the requirements, particularly for operative and clerical jobs.
- **Placement agencies and management consultants:** Specialised private agencies maintain candidate records and recommend suitable people for a fee. Management consultants help locate professional, technical and managerial personnel, reducing the employer's preliminary search effort.
- **Campus recruitment:** Employers establish contact with universities, colleges, technical institutes and management institutes to recruit their students. This provides access to trained young candidates for entry-level professional, technical and managerial positions before or soon after they complete their courses.

Step 3: Conclusion Six external sources are direct recruitment, casual callers, advertisement, employment exchanges, placement agencies and management consultants, and campus recruitment. Each brings applicants from outside the enterprise, but the employer should choose the source suited to the job and required skills.

Quick Tip to Solve: Distinguish direct recruitment from casual callers: the former follows a vacancy notice, while the latter uses applications already received without an advertised vacancy.

24(a). Explain the major activities involved in physical distribution of goods. [6 marks]

Solution:

Concept:

- Physical distribution is the movement of finished goods from producers to customers. It makes the product available at the right place, at the right time and in the required quantity.
- The main activities are order processing, transportation, warehousing and inventory control. They must be coordinated to provide satisfactory customer service at a reasonable total distribution cost.

Step 1: Explain order processing and transportation

- **Order processing:** Distribution begins when the seller receives an order from a customer. The order must be checked for accuracy, recorded and communicated promptly to the departments responsible for credit approval, stock availability, packing, billing and dispatch. Accurate and speedy processing reduces delays and prevents the wrong goods or quantities being supplied. For example, a dealer's order must specify the correct product model and quantity before dispatch instructions are issued.
- **Transportation:** Goods must be physically moved from the place of production or storage to the place where they are required. The business chooses suitable transport, such as road, rail, air or water, by considering cost, speed, reliability, accessibility and the nature of the goods. A reliable transport arrangement creates place utility and helps ensure timely delivery without damage.

Step 2: Explain warehousing and inventory control

- **Warehousing:** Production and consumption do not always occur at the same time or place. Goods therefore need storage until customers require them. Decisions concern the number, location and size of warehouses and the safe handling of goods within them. Warehouses near markets can improve delivery speed, although additional warehouses also increase storage and operating costs. Storage creates time utility by preserving goods until they are demanded.
- **Inventory control:** The enterprise decides how much stock to maintain and when to replenish it. Sufficient inventory enables it to meet orders promptly and avoid lost sales or interruption in supply. Excess stock, however, ties up funds and raises storage, insurance, deterioration and obsolescence costs. Inventory control therefore balances the cost of holding goods against the risk and cost of running out of stock, taking account of demand and replenishment time.

Step 3: Conclusion Physical distribution involves processing orders accurately, transporting goods efficiently, storing them safely and maintaining appropriate inventory. Coordination of these activities ensures dependable supply to customers while keeping the overall cost of distribution under control.

Quick Tip to Solve: Recall the sequence: receive the order, move the goods, store them until needed, and maintain enough stock. Explain the service benefit and cost consideration of each activity.

OR

24(b). You are the advertising manager in a company manufacturing coloured television sets. Which media would you choose for advertising your product ? Explain briefly any five reasons in support of your answer. [6 marks]

Solution:

Concept:

- Advertising is paid, non-personal communication by an identified sponsor to inform and persuade prospective buyers. The medium should suit the nature of the product and the audience to be reached.
- A coloured television set is a consumer durable whose picture quality, sound and appearance can be demonstrated. Television advertising combines moving pictures, colour and sound, making it suitable for this product.

Step 1: Choose television as the advertising medium I would choose television advertising, preferably on channels and programmes watched by families and potential purchasers of household durables. The advertisement could show the set's appearance and features, illustrate the viewing experience and announce the brand and dealer details. The following five reasons support this choice.

Step 2: Explain its demonstration and communication advantages

- **Audio-visual demonstration:** Television combines sight, sound, colour and movement. The company can show the television set in operation and explain its controls and features, giving a more vivid demonstration than a printed advertisement or a radio message alone.
- **Strong attention and impact:** An attractive moving picture supported by music, speech and a memorable slogan attracts attention. This is especially useful for a product associated with home entertainment and helps viewers remember the brand.
- **Wide reach:** Television programmes reach large numbers of households across different areas. Since coloured television sets have a broad household market, a single campaign can communicate with many potential buyers and their families.

Step 3: Explain its targeting and persuasion advantages

- **Choice of audience:** By selecting suitable channels, languages, programmes and time slots, the advertiser can concentrate on the households most likely to buy the product. Regional broadcasts can also communicate in the audience's own language.
- **Effective persuasion and recall:** The combined visual and spoken message can show the set in a familiar home setting and explain its benefits convincingly. Repeated broadcasts reinforce the brand name and keep it in mind when a household decides to buy a set.

The advertisement should make truthful claims: the picture seen by a viewer also depends on the receiver being used, so a broadcast should not promise that every viewer sees the exact performance of the advertised set.

Step 4: Conclusion Television is the preferred medium because it permits audio-visual demonstration, creates a strong impact, reaches a large household audience, allows programme-based targeting and builds persuasion and brand recall through repetition.

Quick Tip to Solve: Match the medium to the product: a coloured television set benefits from sight, sound and movement. State the medium first, then explain five distinct advantages.

25(a). Explain, in brief, any six reasons as to why consumer protection is needed in India. [6 marks]

Solution:

Concept:

- Consumer protection means safeguarding consumers against unfair practices and providing means for the enforcement of their rights. It aims to ensure safety, adequate information, fair treatment and redressal of grievances.
- In India, an individual consumer may have less information and bargaining strength than an organised producer or trader. Awareness, collective action and effective protection help correct this imbalance.

Step 1: Explain the weaknesses faced by individual consumers

- **Consumer ignorance:** Many consumers do not know their rights, the quality standards applicable to goods or the remedies available against a dishonest seller. They may accept defective goods or misleading claims without complaint. Protection and consumer education enable them to make informed choices and seek redressal.
- **Unorganised consumers:** Consumers are numerous and scattered, and often buy individually. Unlike organised business firms, they may lack a common platform to present their grievances. Consumer organisations and protective measures give them collective support and a stronger voice.
- **Weak bargaining position and limited resources:** An ordinary buyer may lack the time, money and technical knowledge needed to contest a powerful supplier. The cost and difficulty of pursuing a small claim can discourage action. Accessible grievance-redressal arrangements make protection practical for such consumers.

Step 2: Explain the dangers arising from unfair business practices

- **Adulteration and unsafe or substandard goods:** Adulterated food, spurious medicines and defective products can damage health, property or life. Consumer protection is needed to promote safety and quality and to provide remedies when harmful goods are sold.
- **Deceptive information and misleading advertising:** Exaggerated advertisements, false quality claims or incomplete information can induce consumers to buy unsuitable goods. Protection helps consumers obtain truthful information about quality, quantity, price and use, so that their decisions are not based on deception.
- **Unfair trading and price practices:** Short weights and measures, overcharging, hoarding and black marketing can cause direct financial loss or artificial shortages. Safeguards against these practices help ensure that buyers receive the promised quantity and fair treatment in the market.

These reasons are related but distinct: some explain why consumers cannot easily protect themselves, while others identify the specific harm from which protection is necessary.

Step 3: Conclusion Consumer protection is needed in India because of consumer ignorance, lack of organisation, weak individual bargaining strength, unsafe or adulterated goods, misleading information and unfair trading practices. It supports informed purchasing, consumer safety and effective redressal.

Quick Tip to Solve: Give six separate reasons with a brief explanation of the harm involved. Combine consumer weaknesses with examples of unfair practices rather than repeating exploitation in every point.

OR

25(b). Explain, in brief, any six responsibilities of consumers to safeguard their interests. [6 marks]

Solution:

Concept:

- Consumer protection requires consumers to act responsibly as well as exercise their rights. An informed and careful buyer can prevent exploitation before it occurs.
- Consumer responsibilities include checking quality and product information, obtaining proof of purchase and using the available complaint machinery when a genuine grievance arises.

Step 1: Exercise care before purchasing

- **Be an informed consumer:** Learn about the goods and services available in the market, their prices and the terms on which they are sold. Compare alternatives rather than accepting a seller's claims blindly. Awareness of consumer rights and available remedies helps the buyer recognise exploitation and make a suitable choice.
- **Buy standardised goods:** Prefer products carrying the appropriate recognised quality certification, such as the ISI mark for relevant industrial products or AGMARK for agricultural products. Check that the mark is genuine. Such certification helps the consumer select goods conforming to prescribed quality standards rather than relying merely on an attractive package.
- **Read labels carefully:** Examine the price, quantity, ingredients, manufacturing and expiry dates, warnings and other information on the label before buying. Check that the product suits the intended use and is within its usable life. Reading this information guards against short quantity, unsuitable products and expired goods.

Step 2: Preserve evidence and act responsibly after purchase

- **Follow instructions and use goods safely:** Read and follow the manufacturer's directions for installation, operation, storage and maintenance. Observe safety warnings and learn about the risks associated with the product. Proper use protects the consumer from avoidable injury and prevents damage caused by misuse.
- **Insist on a cash memo or bill:** Obtain and retain the bill whenever goods or services are purchased, along with relevant warranty documents. The bill records the seller, date, price and item purchased. It provides important evidence of the transaction if a defective product or deficient service later gives rise to a complaint.
- **Complain about genuine grievances:** Approach the seller or service provider when there is a defect, deficiency or unfair practice, and seek redress through the appropriate consumer forum if necessary. Do not ignore a genuine grievance merely because the amount involved is small. State the facts honestly and preserve supporting documents so that the complaint can be examined fairly.

Step 3: Conclusion Thus, consumers safeguard their interests by becoming informed, choosing standardised goods, reading labels, using products safely, keeping bills and seeking redress for genuine grievances. Responsible action complements consumer rights and reduces the opportunity for exploitation.

Quick Tip to Solve: Organise the six responsibilities around the purchase: compare, check quality, read the label, use safely, keep the bill and complain when justified.