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

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 top-level management. [2 marks]

Solution:

Concept:

- Top-level management consists of the senior executives who are responsible for the enterprise as a whole, rather than for one operating activity.
- Its functions concern the overall direction of the organisation and the coordination of its major departments.

Step 1: State the function of setting overall objectives **Determining overall objectives and policies:** Top-level managers decide the basic goals of the enterprise and formulate broad policies and strategies for attaining them. For example, they may decide the direction in which the enterprise should grow. These decisions guide the plans prepared at lower levels.

Step 2: State the function of coordinating departments **Coordinating departmental activities:** Top-level managers integrate the work of different departments, such as production, finance and marketing. They ensure that departmental plans support the common organisational objectives instead of pursuing conflicting priorities.

Step 3: Conclusion Two functions are determining the overall objectives and broad policies of the enterprise, and coordinating the activities of its various departments.

Quick Tip to Solve: For top-level functions, think of decisions affecting the whole enterprise: overall direction and integration of departments.

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

Solution:

Concept:

- The economic environment is the economic dimension of the external business environment. It influences the conditions under which an enterprise obtains resources and sells its output.
- It includes economic conditions, the economic system and the economic policies of the government.

Step 1: Define the economic environment **Meaning:** The economic environment of business refers to the totality of economic factors and forces outside an enterprise that affect its functioning and performance. A firm operates within these conditions and must take them into account when making production, investment and marketing decisions.

Step 2: Identify its main elements **Elements:** It includes the prevailing economic system, government economic policies and conditions such as national income, inflation, interest rates, availability of credit and the pace of economic growth. For instance, a rise in interest rates makes borrowing more expensive and can affect business investment.

Step 3: Conclusion Thus, the economic environment comprises the external economic conditions, system and policies that influence the activities and performance of a business.

Quick Tip to Solve: In a definition of economic environment, name external economic forces and connect them to their effect on business decisions.

3. Enumerate any two features of directing. [2 marks]

Solution:

Concept:

- Directing is the managerial function of guiding, instructing, motivating and leading employees to achieve organisational objectives.
- Its features describe where and how this function is performed; they are distinct from its importance or its individual elements.

Step 1: State that directing operates at every level **Directing takes place at every level of management:** Every manager, from the top executive to the supervisor, directs the subordinates working under them. Thus, directing is not confined to top management or to any single department; it is performed wherever a superior guides the work of subordinates.

Step 2: State that directing is continuous **Directing is a continuous process:** Managers provide guidance, motivation and leadership throughout the life of the organisation. Employees need direction while carrying out their work, dealing with difficulties and responding to changes. Hence, directing continues even after initial instructions have been issued.

Step 3: Conclusion Two features of directing are that it takes place at every level of management and that it is a continuous process.

Quick Tip to Solve: When asked for features of directing, describe its nature, such as continuity and performance at all management levels.

4. What is meant by production concept of marketing ? [2 marks]

Solution:

Concept:

- The production concept is a marketing management philosophy that gives priority to efficient production and wide availability of goods.
- It assumes that consumers prefer products that are readily available and affordable.

Step 1: Explain the basic assumption **Consumer preference:** Under the production concept, buyers are believed to favour products that are widely available at a low price. The enterprise therefore treats availability and affordability as the main basis for attracting customers, especially where demand is greater than the available supply.

Step 2: Explain the managerial emphasis **Production and distribution efficiency:** Management concentrates on producing goods on a large scale, reducing the cost per unit and distributing the output widely. Lower production costs help the firm offer lower prices, while an extensive distribution network makes the product accessible to more buyers. Its central emphasis is on efficiency, rather than first discovering individual customer requirements.

Step 3: Conclusion The production concept holds that consumers prefer inexpensive, readily available products, so the firm should improve production and distribution efficiency to supply them widely at low cost.

Quick Tip to Solve: Link the production concept to two connected ideas: low cost through efficient production and easy availability through wide distribution.

5. How does marketing help a firm to build goodwill in the market ? [2 marks]

Solution:

Concept:

- Marketing identifies customer needs and helps the firm develop and deliver products that satisfy those needs.
- Goodwill is the favourable reputation and trust that a firm earns in the market through satisfactory dealings with its customers.

Step 1: Explain how marketing creates satisfaction **Meeting customer needs:** Marketing helps a firm understand what customers want and offer suitable products of the right quality, at a reasonable price and at convenient places. When the product and the service fulfil the promises made to the buyer, customers feel satisfied with their purchase.

Step 2: Connect satisfaction with goodwill **Building lasting customer confidence:** Consistent satisfaction, truthful communication and effective after-sales service create trust in the firm. Satisfied customers are more likely to buy again and recommend the firm to others. These favourable experiences and recommendations strengthen the firm's reputation and build goodwill in the market.

Step 3: Conclusion Marketing builds goodwill by satisfying customer needs consistently and developing trust, repeat patronage and favourable word of mouth for the firm.

Quick Tip to Solve: For goodwill questions, show the chain clearly: understand needs, satisfy customers, earn trust and develop a favourable reputation.

6. An organisation follows the principles of management. What are the positive effects of each of the following principles of management on the organisation ?

(i) Scalar chain

(ii) Equity, and

(iii) Division of work [3 marks]

Solution:

Concept:

- Fayol's principles guide managerial behaviour and help organisations coordinate effort and use resources efficiently.
- Scalar chain concerns the line of authority; equity concerns fair treatment; division of work concerns specialisation.

Step 1: Explain the effect of scalar chain **(i) Scalar chain:** A clear chain of authority from the highest to the lowest level tells each employee whom to report to and from whom instructions should come. Communication through this recognised route clarifies responsibility and reduces confusion. Consequently, activities at different levels are coordinated and accountability can be fixed.

Step 2: Explain the effect of equity **(ii) Equity:** Managers combine kindness with justice and treat

employees fairly, without discrimination or favouritism. Employees then feel respected and develop confidence in management. This strengthens loyalty and willingness to cooperate, creating a more harmonious working environment.

Step 3: Explain the effect of division of work **(iii) Division of work:** Work is divided into specialised tasks and assigned according to employees' abilities. Repeated performance develops skill and expertise and avoids the loss of time involved in repeatedly changing tasks. Specialisation therefore improves both the quality and efficiency of work.

Step 4: Conclusion Scalar chain improves communication and coordination, equity builds loyalty and cooperation, and division of work improves skill and efficiency.

Quick Tip to Solve: For each principle, connect its meaning to one organisational benefit: authority to coordination, fairness to loyalty, and specialisation to efficiency.

7. How does motivation improve the efficiency of workers in an organisation ? Give any three points [3 marks]

Solution:

Concept:

- Motivation is the process of stimulating people to take action to achieve desired goals by satisfying their needs.
- Efficiency improves when employees willingly apply their abilities and sustain effort rather than merely comply with instructions.

Step 1: Explain the improvement in performance **1. Converts ability into effective performance:** A worker may possess the necessary knowledge and skill but may not use them fully without a willingness to work. Appropriate financial and non-financial incentives stimulate this willingness. Workers apply greater effort and attention to their duties, improving the quantity and quality of output from available resources.

Step 2: Explain the development of a positive attitude **2. Builds a positive attitude and cooperation:** Recognition, appreciation and opportunities for growth make workers feel that their contribution matters. Their indifference or negative attitude towards organisational goals is reduced. They accept responsibility and work cooperatively towards those goals, so less effort is wasted on resistance and conflict.

Step 3: Explain the benefit of continuity at work **3. Reduces absenteeism and employee turnover:** When important needs are satisfied, employees are more content with their jobs and less inclined to remain absent or leave. The organisation retains experienced workers and avoids repeated disruption, recruitment and training. Regular attendance and continuity help maintain efficient operations.

Step 4: Conclusion Motivation improves efficiency by encouraging fuller use of ability, developing a positive attitude and reducing absenteeism and turnover.

Quick Tip to Solve: Use three different effects of motivation and show how each affects work; do not list three kinds of monetary incentive as three effects.

8. "All managers are leaders, but all leaders are not managers." Do you agree with this statement ? Give any three reasons in support of your answer. [3 marks]

Solution:

Concept:

- Leadership is the ability to influence people to work willingly towards common goals; management is the wider process of getting organisational work done.
- A manager occupies a formal position, whereas leadership may arise either from a formal position or from personal influence within a group.

Step 1: State agreement and explain the managerial role Yes, the statement is accepted in the functional sense that managers are expected to exercise leadership. **1. Leadership is a part of management:** A manager must not only plan and organise work but also direct and motivate subordinates to implement it. In performing this directing function, the manager guides and influences the team towards organisational objectives and therefore acts as a leader.

Step 2: Distinguish formal authority from informal influence **2. Leaders need not hold a managerial position:** A manager receives formal authority through appointment to a post in the organisation. A leader can emerge informally because group members trust the person's knowledge, judgement or character. Such a person can influence colleagues without holding any managerial designation.

Step 3: Compare the scope of responsibilities **3. Management has a wider scope:** A manager is responsible for planning, organising, staffing, directing and controlling, as well as leading people. A person who merely influences a group need not perform these other managerial functions or be accountable for the department's resources and results. Thus leadership alone does not make that person a manager.

Step 4: Conclusion Thus managers are expected to lead as part of directing, but a leader may be an informal influence without a managerial post or the full range of managerial responsibilities.

Quick Tip to Solve: Organise the reasons around function, source of authority and scope of responsibility; these explain why informal leaders need not be managers.

9. Enumerate any three market related factors that should be kept in view while taking decision on the choice of channels of distribution of any product. [3 marks]

Solution:

Concept:

- A channel of distribution is the route through which goods move from the producer to the ultimate consumer, directly or through intermediaries.
- Market-related factors describe the buyers and their buying behaviour. They help determine how much intermediary coverage is needed.

Step 1: Consider the geographical concentration of buyers **1. Geographical concentration of the market:** When buyers are concentrated in a small area, the producer can reach them directly or through a short channel at a reasonable cost. When buyers are widely scattered over many locations,

wholesalers and retailers can provide the local contacts and distribution coverage needed to serve them economically.

Step 2: Consider the number of potential buyers **2. Number of buyers:** A small number of buyers can be contacted and supplied by the producer through a direct or short channel. Where there are many individual buyers, reaching each one directly becomes difficult and expensive. Intermediaries help collect orders, distribute goods and make the product available to a large market.

Step 3: Consider the size of the orders **3. Size of order:** Buyers placing large orders can generally be supplied directly because each transaction justifies the selling and delivery effort. Small and frequent consumer orders usually call for retailers or other intermediaries who break bulk and sell quantities suited to individual customers. The channel should therefore suit the usual purchase size.

Step 4: Conclusion Three market-related considerations are geographical concentration of buyers, the number of buyers and the size of their orders.

Quick Tip to Solve: Keep the answer about the market: where buyers are, how many there are and how much they order. Product perishability is a different category.

10. State any three objectives of sales promotion. [3 marks]

Solution:

Concept:

- Sales promotion comprises short-term incentives, additional to advertising and personal selling, that encourage customers or dealers to purchase a product.
- Its objectives concern the immediate buying response: attracting trial, increasing purchases and encouraging customers to buy again. A discount, sample or premium is a means of achieving an objective, rather than the objective itself.

Step 1: State the objectives concerning customer demand

- **Attract new customers:** Sales promotion induces people who have not used the product to try it. For example, a free sample reduces the buyer's hesitation about an unfamiliar brand and can convert a potential buyer into an actual customer.
- **Increase sales of the product:** A temporary incentive encourages customers to purchase promptly or buy a larger quantity. This helps increase the volume of sales, including during a period when ordinary demand is weak.

Step 2: State the objective concerning repeat purchases

- **Retain existing customers and encourage repeat buying:** Benefits such as a purchase-linked premium or a reward for subsequent purchases encourage present customers to continue buying the brand. This helps the business resist competitors' promotional offers and maintain its customer base.

Step 3: Conclusion Three objectives of sales promotion are to attract new customers, increase sales volume and retain existing customers by encouraging repeat purchases.

Quick Tip to Solve: State the desired buying response first; use samples, discounts or premiums only as examples of how that objective is achieved.

11. Describe, in brief, Taylor's principles of

(i) Science, not the rule of thumb, and

(ii) Harmony, not discord. [4 marks]

Solution:

Concept:

- F.W. Taylor's scientific management replaces casual working practices with systematic study and promotes a cooperative relationship between management and workers to improve efficiency and prosperity.
- The two principles asked here concern the basis for deciding work methods and the attitude that employers and employees should adopt towards one another.

Step 1: Explain science, not the rule of thumb

- **Replace guesswork with scientific investigation:** A manager should not decide a method merely from personal judgement, customary practice or trial and error. Each element of a job should be studied scientifically, using observation and analysis.
- **Develop and use the best method:** Alternative ways of doing the work should be tested to determine the most efficient method under the given conditions. Standardising this method avoids wasteful movements and the unnecessary use of time and resources. Decisions about how a task is performed therefore rest on established facts rather than an individual worker's or manager's habitual approach.

Step 2: Explain harmony, not discord

- **Recognise common interests:** Management and workers should avoid conflict and realise that both benefit when the enterprise prospers. Their energies should be directed towards increasing productivity rather than fighting over their respective shares of a limited output.
- **Adopt a mental revolution:** Both sides must change their attitude towards each other. Management should recognise workers' contribution and share the gains of improved productivity, while workers should cooperate and work sincerely. Mutual trust and a willingness to consider each other's viewpoint replace suspicion, disputes and deliberate restriction of output.

Step 3: Conclusion Science, not the rule of thumb, requires scientifically determined work methods in place of guesswork. Harmony, not discord, requires a mental revolution so that management and workers cooperate for their common prosperity.

Quick Tip to Solve: Link "science" with the method of doing work, and "harmony" with the relationship and change of attitude between management and workers.

12. Define the term 'Organising' and enumerate the steps involved in the process of organising.

[4 marks]

Solution:

Concept:

- Organising is the management function of identifying and grouping the work to be performed, assigning duties and establishing authority relationships so that people work together effectively to achieve organisational objectives.
- The organising process translates the work required by a plan into a clear structure of jobs, departments and reporting relationships. It specifies who performs each activity and who is answerable to whom.

Step 1: Identify and divide the work **Identification and division of work:** Identify all activities necessary to implement the plan and divide the total work into manageable jobs. Each job should have a clearly defined scope so that essential work is covered without unnecessary duplication. For example, a manufacturing concern must arrange production, purchasing, selling and accounting activities.

Step 2: Group related activities **Departmentalisation:** Group similar or related jobs into departments or divisions. Activities may be grouped by function, product or another suitable basis. Thus, purchasing activities can be placed together in a purchase department, allowing related work to be coordinated and supervised efficiently.

Step 3: Assign the duties **Assignment of duties:** Allocate the identified jobs to suitable individuals according to their abilities, qualifications and experience. Make each person's responsibilities clear and provide the authority needed to perform the assigned duties effectively.

Step 4: Establish reporting relationships **Establishment of authority and reporting relationships:** Specify who reports to whom and who can issue instructions or take decisions. These superior-subordinate relationships connect the jobs and departments into a coordinated structure and fix accountability for performance.

Step 5: Conclusion Organising creates an effective arrangement of work and people. Its sequence is identification and division of work, departmentalisation, assignment of duties and establishment of authority and reporting relationships.

Quick Tip to Solve: Recall the sequence as work, groups, people and relationships: first identify jobs, then group them, assign them and connect them through reporting lines.

13. You are the representative of workers in a factory and want to impress upon the management the need for introducing time-rate system in place of existing piece-rate system of wage payment. What four reasons would you like to give to the management to justify your viewpoint ? Explain, in brief. [4 marks]

Solution:

Concept:

- Under the time-rate system, wages are determined by the time spent at work, such as hours or days, at an agreed rate. Under the piece-rate system, wages depend on the number of units produced.
- As the workers' representative, the case for time wages should show how security of earnings and a reasonable pace of work can benefit both workers and management. The comparison concerns methods of wage payment, rather than a change in the duration of the working day.

Step 1: Explain the benefits for workmanship and earnings

- **Better quality of work:** Workers are not compelled to rush merely to increase the number of pieces and their earnings. They can give proper attention to accuracy, finishing and prescribed quality standards. This is particularly useful where quality is more important than sheer quantity and can reduce defective output.
- **Regular and secure earnings:** A worker completing the agreed working time receives wages at the fixed time rate. Earnings do not fall simply because output is temporarily reduced by a machine breakdown, a shortage of materials or another interruption outside the worker's control. Such security reduces anxiety and helps workers concentrate on their duties.

Step 2: Explain the benefits for health and factory resources

- **Less overstrain and better safety:** Piece wages can encourage workers to work excessively fast or beyond a reasonable level of effort to earn more. Time wages reduce this pressure, helping avoid fatigue and unsafe haste and supporting workers' health and sustained performance.
- **Careful use of machinery and materials:** With less pressure to maximise the number of pieces, workers can handle machines and tools properly and use materials carefully. This can reduce unnecessary wear, breakage and wastage, protecting the factory's resources and lowering avoidable costs.

Step 3: Conclusion I would recommend time wages because they encourage better quality, provide stable earnings, reduce overstrain and promote careful use of factory resources. Management should support the system with proper supervision and clear performance standards so that these benefits accompany efficient work.

Quick Tip to Solve: Give four distinct reasons, linking each to the change from payment per piece to payment for time; do not merely repeat that time wages benefit workers.

14. "Securities and Exchange .Board of India (SEBI) is the watchdog of the securities market." Do you agree ? Give four reasons in support of your answer. [4 marks]

Solution:

Concept:

- Securities and Exchange Board of India (SEBI) regulates the securities market, protects investors and promotes its orderly development.
- A watchdog monitors market conduct and checks practices that injure investors or undermine fair trading. SEBI performs this role through its protective and regulatory functions.

Step 1: State the agreement and explain protection against malpractice Yes, the statement is correct. SEBI watches over the securities market so that investors can deal in securities with greater confidence. Four reasons support this view:

- **Checks unfair trade practices:** SEBI prohibits fraudulent and unfair practices, including misleading statements and manipulation of security prices. This restrains operators who might artificially influence prices at the expense of ordinary investors.
- **Prohibits insider trading:** An insider may possess unpublished price-sensitive information because of a connection with a company. SEBI prohibits trading on such information, preventing insiders from obtaining an unfair advantage over other investors.

Step 2: Explain supervision and investor safeguards

- **Regulates market intermediaries:** SEBI registers and regulates brokers and other intermediaries and lays down rules and codes of conduct for their operations. By monitoring their activities, it encourages accountable and fair dealing in the securities market.
- **Protects and educates investors:** SEBI promotes investor education and awareness and takes measures for the protection of investors' interests. Better informed investors can understand risks, recognise suspicious offers and use the available grievance mechanisms when their interests are harmed.

Step 3: Conclusion SEBI is rightly called the watchdog of the securities market: it checks unfair practices and insider trading, supervises intermediaries and safeguards investors. These functions support fair and orderly securities trading.

Quick Tip to Solve: Support the word "watchdog" with concrete monitoring and protective functions, explaining how each one prevents investor harm.

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

(i) Participants,

(ii) Instruments traded

(iii) Investment outlay, and

(iv) Safety [4 marks]

Solution:

Concept:

- The capital market channels medium-term and long-term funds, whereas the money market deals in short-term funds with a maturity of up to one year.
- The two markets differ in who participates, what claims are traded, the usual size of investment and the risk associated with those claims.

Step 1: Compare participants and instruments The following comparison uses the four bases specified in the question. Participants and instruments are linked: the money market meets short-term liquidity needs, while the capital market finances longer-term investment.

Basis	Capital market	Money market
Participants	Financial institutions, banks, companies, foreign investors and the investing public, including individual retail investors, participate.	The major participants are the Reserve Bank of India, commercial banks, financial institutions and large companies. Institutional dealings predominate.
Instruments traded	Equity shares, preference shares, debentures and bonds are important instruments. They provide ownership or longer-term debt finance.	Treasury bills, commercial paper, call money, certificates of deposit and commercial bills are important instruments. They provide short-term finance.

Step 2: Compare investment outlay and safety

Basis	Capital market	Money market
Investment outlay	Securities can generally be bought in relatively small amounts. This permits individual investors with modest savings to participate, subject to the security's price and trading requirements.	Transactions generally involve large amounts, which is why large institutions and companies dominate this market rather than small individual savers.
Safety	Investment is generally riskier because it extends over a longer period. Share prices and returns may fluctuate, and the issuer's performance affects the investment.	Instruments are generally safer because they are short-term and are commonly issued by governments or financially strong institutions. Their shorter duration reduces exposure to changing conditions.

Safety is a relative comparison: money-market instruments are not all completely risk-free, and the risk of a particular capital-market security depends on its issuer and terms.

Step 3: Conclusion The capital market admits a wider investing public and relatively small investments in shares and longer-term debt securities. The money market mainly involves institutions dealing in large amounts of short-term instruments, which are generally safer.

Quick Tip to Solve: Keep each row tied to the stated basis: who trades, what trades, how much is invested and how safe the investment is.

16. "Management is regarded as fully-developed profession." Do you agree ? Give reasons. [5 marks]

Solution:

Concept:

- Nature and Significance of Management: a profession is an occupation based on specialised knowledge and training, with regulated entry, an ethical code and a service motive.
- Management has several professional characteristics, but their presence must be distinguished from their compulsory enforcement for every practising manager.

Step 1: State the position and examine specialised knowledge I do not agree that management is a fully-developed profession. It is developing towards professional status, as the following comparison with the essential features of a profession shows.

Well-defined body of knowledge: Management has a systematic body of principles and techniques, taught in management institutes and universities. Managers can acquire specialised knowledge through formal courses. Thus, this characteristic of a profession is substantially present, although practical experience and judgement are also needed to apply the knowledge.

Step 2: Examine entry requirements and professional association **Restricted entry:** In an established profession, entry requires prescribed qualifications and training. No particular management degree or professional licence is legally compulsory for becoming a manager. Owners can appoint persons without a formal management qualification; therefore, entry into management is not restricted as it is in professions such as medicine.

Professional association: Associations such as the All India Management Association promote professional standards and managerial development. However, membership of such a body is not compulsory for every manager, and it does not have the same universal statutory control over entry and practice as a fully-developed professional body.

Step 3: Examine ethics and service motive **Ethical code of conduct:** Management associations advocate ethical standards, but all managers are not bound by one universally enforceable professional code. Ethical conduct is desirable, yet the professional association cannot regulate every manager merely by virtue of the person holding a management position.

Service motive: A profession puts service to clients and society above personal gain. Management increasingly recognises responsibility towards employees, consumers and society. Nevertheless, business managers also work to achieve the enterprise's economic objectives, and service is not an overriding, uniformly enforced condition of managerial practice.

Step 4: Conclusion Management possesses a specialised body of knowledge and is moving towards professionalisation. However, compulsory qualifications, mandatory association membership and universal professional regulation are absent. It is therefore an emerging profession rather than a fully-developed profession.

Quick Tip to Solve: Test the statement against the five features of a profession; explain which features management possesses and which are not compulsory.

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

Solution:

Concept:

- Business Environment: liberalisation reduces government restrictions on business, while globalisation integrates the domestic economy with the world economy through trade, investment and technology.
- These policies create opportunities, but they also expose Indian enterprises to competitive pressure and rapid adjustment. Their negative impacts are explained from the viewpoint of domestic business and industry.

Step 1: Explain competition and pressure on small enterprises **1. Increased competition:** The removal of licensing and trade barriers allows new domestic firms and foreign companies to enter markets more freely. Existing Indian enterprises face competitors with stronger brands, advanced technology and larger financial resources. Their sales, market share and profit margins may fall unless they improve quality and efficiency.

2. Threat to small and weak industrial units: Small-scale and less efficient enterprises often cannot match the scale, prices, advertising expenditure or modern technology of large multinational companies. Loss of business can cause sickness or closure of such units. Thus, opening the market may adversely affect enterprises that previously survived under protection.

Step 2: Explain technological and financial adjustment pressures **3. Need for rapid technological change:** Global competition makes old production methods and products obsolete more quickly. Firms must invest in research, modern machinery and employee training to remain competitive. Enterprises unable to raise the necessary funds or adapt their workforce face higher costs and a risk of being displaced from the market.

4. Loss of protection and budgetary support: With greater emphasis on market discipline, enterprises cannot depend on protection, subsidies or government assistance to cover inefficiency. In particular, public enterprises and other units accustomed to support must improve performance and financial self-reliance. The withdrawal or reduction of such support creates financial pressure and can require difficult restructuring.

Step 3: Explain employment insecurity during adjustment **5. Retrenchment and employment insecurity:** Firms under pressure to reduce costs may restructure operations, introduce labour-saving technology or close uncompetitive units. This can lead to retrenchment, voluntary retirement and loss of jobs, especially for workers whose skills no longer match the new production methods. The resulting insecurity and need for retraining are adverse consequences of the adjustment process.

Step 4: Conclusion Five negative impacts are stronger competition, threats to small and weak units, costly technological adjustment, reduced dependence on government protection and support, and employment insecurity. These are pressures and possible adverse consequences of opening the economy; their severity depends on an enterprise's ability to adapt.

Quick Tip to Solve: Link each policy change to a business consequence: open entry increases rivalry, new technology requires investment, and restructuring can displace workers.

18. "Controlling helps in achieving objectives of the organisation and improving employees' morale." Explain this statement, in brief. [5 marks]

Solution:

Concept:

- Controlling is the management function of comparing actual performance with predetermined standards, identifying deviations and taking corrective action so that organisational objectives are achieved.
- Control also affects employees' morale: clear and reasonable standards make expectations known, while fair appraisal and constructive correction create confidence in the organisation.

Step 1: Explain how control directs performance towards objectives

- **Translate objectives into standards:** Organisational goals are expressed as definite performance standards for departments and employees. A production target, a quality specification or a cost limit tells each person the result expected and provides a common direction for work.
- **Measure progress and locate deviations:** Actual performance is measured and compared with these standards. Management can therefore discover whether work is proceeding towards the planned objectives, instead of assuming that the mere completion of activities means success.
- **Take corrective action:** Significant deviations are investigated to find their causes. Appropriate action, such as improving a method, removing a shortage or providing training, brings performance back towards the target. Control thereby helps the organisation achieve its objectives and use resources effectively.

Step 2: Explain how fair control improves employee morale

- **Provide clarity and fair appraisal:** Employees know in advance what they must do and the standards by which their work will be judged. Objective assessment reduces uncertainty and the fear of arbitrary treatment, giving employees greater confidence in their work.
- **Recognise achievement and support improvement:** A sound control system identifies good performance for appreciation and reveals where assistance is needed. Constructive feedback, guidance and training help employees correct weaknesses rather than merely face blame. Recognition and a fair opportunity to improve encourage effort and raise morale.

These benefits require reasonable standards and an impartial, supportive application of control. Excessive or arbitrary checking would undermine the confidence that effective control is intended to build.

Step 3: Conclusion Controlling helps achieve organisational objectives by setting standards, checking progress and correcting deviations. It improves employees' morale by making expectations clear and performance appraisal fair, and by linking feedback with recognition and assistance.

Quick Tip to Solve: Link objectives to the standard–comparison–correction cycle, then link morale to clear expectations, fair appraisal and constructive feedback.

19. Explain any five factors which the capital structure of a business enterprise. [5 marks]

Solution:

Concept:

- Capital structure is the proportion of debt and owners' funds used to finance a business enterprise. Debt carries compulsory interest and repayment obligations, whereas equity provides ownership capital without a fixed dividend obligation.
- The choice of financing mix must balance return with financial risk. A business should use debt only to the extent that its earnings and cash position can support the resulting fixed commitments.

Step 1: Examine the enterprise's ability to support debt The following are three factors influencing the financing mix:

- **Cash-flow position:** An enterprise with strong and reasonably predictable cash inflows can use more debt because it can meet interest and principal payments when they fall due. Weak or irregular cash flows favour a larger equity component. Accounting profit alone is insufficient if cash is unavailable on the payment dates.
- **Interest coverage ratio:** The relationship between earnings before interest and tax and the interest obligation indicates the margin available for paying interest. A higher coverage provides greater protection and scope for borrowing. Low coverage calls for caution because even a small fall in operating earnings could make the fixed interest burden difficult to meet.
- **Return on investment:** When the expected return earned on investment exceeds the cost of debt, debt can increase the return available to equity shareholders through trading on equity. If the return is lower or highly uncertain, borrowing may reduce shareholders' return and increase risk, so a greater reliance on equity is appropriate.

Step 2: Consider borrowing cost and ownership control Two further factors are:

- **Cost of debt:** The interest rate and associated borrowing terms influence the attractiveness of debt finance. A business able to borrow at a lower cost can consider a larger debt proportion, subject to repayment capacity. Expensive borrowing raises fixed financial commitments and makes equity comparatively more attractive. The tax deductibility of interest is considered when assessing the effective cost.
- **Control considerations:** Issuing additional equity shares may dilute the voting power of existing owners. If retaining control is important, they may prefer debt, since lenders normally do not obtain ownership voting rights. However, the desire to preserve control must not lead to borrowing beyond the enterprise's ability to service its obligations.

Step 3: Conclusion Five factors affecting capital structure are cash-flow position, interest coverage ratio, return on investment, cost of debt and control considerations. Their combined effect determines a suitable balance between debt and equity; no single factor justifies unlimited borrowing.

Quick Tip to Solve: For each factor, state both the factor and its effect: explain when it favours more debt and when it favours a larger equity component.

20. You are a newly appointed finance advisor in a company and found that the company is over-capitalised. The management does not agree with your findings. Convince the management by giving five reasons in support of your viewpoint. [5 marks]

Solution:

Concept:

- Over-capitalisation exists when a company's capital exceeds the amount justified by its normal earning capacity. It is a relationship between capital employed and sustainable earnings, rather than simply a large cash balance.
- A finance adviser should compare the company's actual earnings with the normal return expected on similar investments and examine why the capital raised or asset values are excessive.

Step 1: Establish the financial test Explain to management that a large nominal capital is not by itself proof of financial strength. If normal profits cannot provide a reasonable return on the capital issued, the company is over-capitalised. The following five reasons would support this finding when confirmed by the company's accounts and financing records; no particular account balance is supplied in the question.

Step 2: Explain five reasons supporting the diagnosis

- **Excessive issue of capital:** More shares or debentures may have been issued than the business can profitably employ. Idle or unproductive funds add to the capital base without adding corresponding earnings, reducing the return on capital.
- **Assets acquired at inflated prices:** If land, buildings, machinery or an existing business were purchased at unduly high prices, the capital raised reflects those prices rather than the assets' real earning power. Profits are then inadequate in relation to the investment recorded.
- **Heavy promotion and establishment expenses:** Excessive promoters' remuneration, underwriting commission and preliminary expenses absorb funds without creating equivalent productive assets. Capital represented by such expenditure cannot generate the expected regular income.
- **Borrowing at an unduly high rate of interest:** Expensive debt imposes a heavy fixed interest burden. Even where operating earnings are maintained, too little may remain for shareholders to earn the normal return on their investment.
- **Overestimation of earning capacity:** Capital may have been raised on optimistic forecasts of sales and profits. If actual sustainable earnings fall short of these estimates, the amount of capital is excessive in relation to the income that the business can normally produce.

Step 3: Conclusion The finding is justified by inadequate normal earnings relative to capital, supported by excess funds, inflated asset costs, excessive establishment expenses, costly borrowing or unrealistic profit estimates. The adviser should present the relevant financial records for these five reasons to convince management.

Quick Tip to Solve: Link each reason to the same test: capital or fixed financial commitments are too high for the business's normal earning capacity.

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

Solution:

Concept:

- Planning means deciding in advance what to do and how to do it. It bridges the gap between the present position and the desired future position of an organisation.
- Planning gives direction to managerial action by selecting objectives and suitable courses of action. Its features explain its role throughout management, rather than merely listing its benefits.

Step 1: Explain the purpose and place of planning

- **Planning focuses on achieving objectives:** Every plan specifies the results to be achieved and the activities needed to achieve them. Planning has a purpose: it directs resources and effort towards organisational objectives rather than permitting unrelated activity.
- **Planning is a primary function of management:** Objectives and courses of action must be decided before managers can organise resources, appoint people, direct their work and control results. These other functions are performed within the framework laid down by plans; this is the primacy of planning.
- **Planning is pervasive:** It is required in every type of organisation, at every level of management and in every department. The scope differs: top managers prepare broad plans for the organisation, while departmental and supervisory managers make more detailed plans for their areas of responsibility.

Step 2: Explain how planning operates over time

- **Planning is continuous:** Plans are prepared for a specified period. When that period ends, a new plan is needed. Changes in business conditions may also require revision before the period ends, so planning continues alongside implementation and review.
- **Planning is futuristic:** It considers future events and conditions so that the organisation can respond appropriately. Managers forecast likely demand, competition and resource requirements and decide present action in the light of these expectations. Forecasts support planning but do not make the future certain.
- **Planning involves decision-making:** Managers identify alternative courses of action, evaluate their likely results and select the most suitable one. Thus, planning requires a choice among alternatives, such as whether additional demand should be met through extra shifts or expanded capacity.

Step 3: Conclusion Six features of planning are its focus on objectives, primacy among managerial functions, pervasiveness, continuity, future orientation and involvement of decision-making. Together they show that planning guides purposeful action throughout the organisation.

Quick Tip to Solve: Use six separate feature headings and explain each: objectives, primacy, pervasiveness, continuity, future and choice. Do not replace features with benefits such as reduced waste.

OR

21(b). Defining 'organisational objectives' is the first step in the process of planning. Explain, in brief, the other steps of this process. [6 marks]

Solution:

Concept:

- Planning means deciding in advance what is to be done and how it is to be done. Organisational objectives provide the destination; the remaining steps determine and implement the best route to it.
- The planning process moves from assumptions about the future to identifying alternatives, evaluating them, choosing a plan, implementing it and reviewing its progress.

Step 1: Develop the planning premises **Developing premises:** After objectives are established, managers make assumptions about the future conditions under which the plan will operate. These premises may concern demand, prices, costs, government policy and the availability of resources. Forecasts and reliable information provide a common basis for planning, so that different departments prepare mutually consistent plans rather than working on conflicting expectations.

Step 2: Identify and evaluate alternative courses **Identifying alternative courses of action:** Managers identify the different ways in which the objectives can be achieved. An objective such as increasing sales may be pursued through a new market, an improved product or greater promotional effort. Relevant alternatives should be considered before committing resources.

Evaluating alternative courses: Each alternative is examined in the light of the objectives and planning premises. Managers compare its likely benefits, costs, risks, feasibility and resource requirements. They also consider the consequences for the organisation as a whole, rather than choosing a course merely because it benefits one department.

Step 3: Select and implement the best plan **Selecting an alternative:** Managers choose the most suitable course after comparing the alternatives. The selected plan should best serve organisational objectives within the available resources and prevailing constraints. In some situations a combination of alternatives is more appropriate than a single course.

Implementing the plan: The chosen plan is put into action. Duties are assigned, resources are allocated and the necessary supporting arrangements are made. For example, a plan to expand output requires arrangements for people, materials and equipment; merely approving the plan does not accomplish the objective.

Step 4: Follow up the implementation **Follow-up action:** Managers monitor the implementation and check whether activities are proceeding according to plan and producing the intended results. Deviations and changed circumstances are identified so that corrective action can be taken. This review also supplies information for revising plans and preparing future plans, making planning a continuing process.

Step 5: Conclusion After defining objectives, the other steps are developing premises, identifying alternative courses, evaluating them, selecting the best alternative, implementing the plan and taking follow-up action. Together these turn an intended objective into coordinated action and reviewed results.

Quick Tip to Solve: Remember the sequence as assumptions, alternatives, evaluation, selection, action and review; do not repeat setting objectives when the question already gives it as the first step.

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

(i) formation,

(ii) purpose,

(iii) structure,

(iv) behaviour of members,

(v) stability, and

(vi) adherence to rules. [6 marks]

Solution:

Concept:

- Organising establishes relationships among people so that activities contribute to organisational objectives. Formal organisation is the structure deliberately designed by management.
- Informal organisation is the network of personal and social relationships that arises naturally when people interact at work. It exists alongside the formal structure rather than being a separately designed hierarchy.

Step 1: Identify the two kinds of relationships A formal relationship comes from an official position, assigned duty or reporting arrangement. An informal relationship comes from personal interaction, friendship, common interests or shared feelings. The distinction therefore concerns how relationships arise and operate, rather than whether the people concerned work for the same enterprise. The six requested bases are compared below.

Step 2: Compare them on the six specified bases The following table compares each specified basis.

Basis	Formal organisation	Informal organisation
(i) Formation	Deliberately created by management through division of work, assignment of duties and establishment of authority relationships.	Arises spontaneously through social interaction among employees; management does not deliberately design it.
(ii) Purpose	Established to achieve the enterprise's objectives through coordinated performance of assigned work.	Develops mainly to satisfy members' social and psychological needs, such as friendship, belonging and mutual support.
(iii) Structure	Has a clearly defined structure of positions, authority, responsibility and reporting relationships, usually shown in an organisation chart.	Has no officially prescribed structure or fixed chain of command; relationships develop around personal contacts and informal leaders.
(iv) Behaviour of members	Behaviour in official roles is guided by prescribed duties, policies, procedures and the authority attached to positions.	Behaviour is guided largely by group norms, personal feelings, mutual expectations and social influence.
(v) Stability	Relatively stable because it is based on official positions and planned arrangements, which continue even when individual employees change.	Relatively less stable because personal relationships and group membership may change with interests, attitudes and interactions.

(vi) Adherence to rules	Members are expected to follow the organisation's officially laid-down rules and procedures in performing their work.	Relationships do not depend on officially laid-down rules; members follow unwritten group norms and conventions.

Step 3: Conclusion Formal organisation is planned, officially structured and directed towards organisational goals, whereas informal organisation develops naturally to meet social needs. Their formation, purposes, structures, behavioural influences, relative stability and dependence on official rules therefore differ as set out in the comparison.

Quick Tip to Solve: Keep each row on one common basis: compare official design with spontaneous relationships, and distinguish written organisational rules from unwritten informal group norms.

OR

22(b). "Authority can be delegated but accountability cannot." Explain the statement. [6 marks]

Solution:

Concept:

- Delegation means entrusting a subordinate with a task and giving the authority necessary to perform it. Authority is the right to give orders, use resources and make decisions within specified limits.
- Responsibility is the obligation to perform an assigned duty. Accountability is the obligation to answer for its final outcome; delegation does not release a superior from accountability to the superior's own manager.

Step 1: Explain why authority can be delegated **Assignment of work:** A manager cannot personally perform every activity. The manager assigns clearly defined duties to subordinates so that work can be divided and completed efficiently.

Grant of decision-making power: To carry out those duties, the subordinate needs matching authority. For example, a production manager can authorise a supervisor to allocate workers and issue materials for the assigned production target. The supervisor may act within the limits fixed by the manager instead of seeking permission for every routine decision.

Retention of ultimate authority: Giving a subordinate the right to act does not deprive the superior of that right. The superior can review the subordinate's decisions, modify the limits of authority and withdraw delegated authority when necessary.

Step 2: Explain why accountability cannot be delegated **Continuing answerability of the superior:** The manager remains answerable to the manager's own superior for the task originally entrusted to the manager. Passing the work down does not cancel this original obligation. The manager cannot justify failure merely by saying that a subordinate was responsible for execution.

Accountability of the subordinate: Delegation also makes the subordinate answerable to the delegating manager for proper performance. This is a new accountability in the reporting relationship; it supplements, rather than replaces, the manager's accountability upwards.

Need for supervision and control: The manager must choose a capable subordinate, provide adequate authority and guidance, monitor progress and take corrective action. If the production target is missed, the supervisor answers to the production manager, while the production manager still answers to the general manager for the department's performance.

Step 3: Conclusion Authority to perform a task may be passed to a subordinate, but the superior's ultimate accountability for that task remains with the superior. Delegation therefore distributes work and decision-making power without allowing a manager to escape answerability for the final result.

Quick Tip to Solve: Trace two reporting links: the subordinate answers to the delegating manager, and that manager continues to answer to the next superior. This makes clear why delegation creates accountability without transferring the superior's accountability.

23(a). Why is the employees' training necessary in an organisation ? Explain in brief any six reasons.

[6 marks]

Solution:

Concept:

- Training is a systematic process of improving the knowledge and skills employees need to perform their present jobs. It converts a worker's potential ability into effective job performance.
- Training is necessary because employees must learn correct work methods, use equipment safely and adapt their skills as technology and organisational requirements change. Its benefits justify treating it as an investment in people.

Step 1: Explain the reasons relating to work performance **1. Higher productivity and better quality:** A trained employee understands the job and the correct way to perform it. Work is completed more accurately and efficiently, improving both the quantity and the quality of output. Learning proper techniques also helps employees meet the organisation's performance standards.

2. Economy in operations: Training replaces repeated trial and error with systematic instruction and practice. Employees learn to use materials, tools and machines properly, reducing wastage, spoilage and avoidable damage. Better utilisation of resources lowers the cost of operations.

3. Fewer accidents and greater safety: Employees learn operating procedures, safety precautions and the correct handling of equipment. This reduces unsafe practices and the likelihood of workplace accidents, protecting both workers and organisational property.

Step 2: Explain the reasons relating to people and future needs **4. Reduced need for close supervision:** Once workers know the methods and standards of their jobs, they can perform routine duties with greater independence. Supervisors need to spend less time correcting elementary mistakes and can devote more attention to coordination and other important matters. Training reduces the need for constant checking; it does not eliminate supervision altogether.

5. Improved morale and confidence: Training makes employees more competent and reduces their fear of making mistakes. Confidence in handling a job improves satisfaction and encourages a positive attitude towards work. Employees also see that the organisation is investing in their abilities, which can strengthen their commitment.

6. Adaptation to change and preparation for greater responsibility: New machines, production methods and work procedures require employees to learn new skills. Training helps them adjust to these changes and keeps their knowledge useful. Developing the required skills also prepares suitable employees to take on more demanding duties as the organisation grows.

Step 3: Conclusion Employees' training is necessary to increase productivity, economise in operations, reduce accidents, lessen the need for close supervision, improve morale and enable adjustment to changing work and future responsibilities. These benefits improve organisational performance while making employees more capable and confident.

Quick Tip to Solve: Organise six reasons around output, cost, safety, supervision, morale and change. Give the benefit and then explain how training produces it, instead of merely listing six headings.

OR

23(b). Explain, in brief, any six steps involved in the selection procedure of employees. [6 marks]

Solution:

Concept:

- Selection is the process of identifying and choosing the most suitable candidate from those who have applied for a job. It matches the applicant's qualifications and abilities with the requirements of the post.
- Selection uses successive checks to reduce the risk of a wrong appointment. An applicant who does not meet the relevant requirements may be rejected at a stage; recruitment, by contrast, attracts potential applicants.

Step 1: Screen applicants and test their suitability

- **Preliminary screening:** The application forms are examined against the minimum qualifications, experience and other job requirements. Applicants who clearly do not meet these requirements are eliminated, while suitable applicants proceed further. This saves the organisation and applicants the time and cost of unnecessary detailed assessment.
- **Selection tests:** Suitable tests assess characteristics relevant to successful job performance. For example, an aptitude test measures the capacity to learn a skill, while a trade test measures an existing occupational skill. The type of test should match the job; a test is evidence of suitability rather than a substitute for all other checks.
- **Employment interview:** The candidate and interviewer have a formal conversation about qualifications, experience, abilities and expectations. The employer can assess suitability and clarify information in the application, while the applicant can obtain information about the job and organisation.

Step 2: Verify information and decide on appointment

- **Reference and background checks:** Previous employers or other references are contacted to verify information about the candidate's experience, conduct and reliability. These enquiries help confirm the claims made in the application and interview before the organisation commits to an

appointment.

- **Selection decision:** After considering test results, the interview and verification reports, the responsible managers decide which candidate is most suitable. The manager who will supervise the selected person is normally involved, since that manager must obtain the required performance from the employee.
- **Medical examination:** The candidate's health and physical fitness are checked in relation to the demands of the job. The purpose is to establish whether the person can perform the assigned duties safely and effectively. Appointment is made subject to satisfying the prescribed fitness requirements.

Step 3: Conclusion Thus, six steps in selection are preliminary screening, selection tests, employment interview, reference and background checks, selection decision and medical examination. Together they establish whether the applicant meets the requirements of the post before employment is finalised.

Quick Tip to Solve: Remember the sequence as screen, test, interview, verify, decide and check fitness; explain the purpose of each step rather than merely listing its name.

24(a). Explain the various factors which should be considered before taking decision on the choice of a particular medium of advertising for a product. [6 marks]

Solution:

Concept:

- An advertising medium is the channel through which a paid promotional message reaches the target audience. Newspapers, magazines, radio, television and outdoor displays have different strengths and limitations.
- Media selection should secure effective communication with the intended customers within the available budget. The largest possible audience is not necessarily the most useful audience for a particular product.

Step 1: Match the medium to the product and customers

- **Nature of the product:** The medium must be capable of presenting the product's important features. A product needing a visual demonstration may be advertised through television, whereas technical information requiring detailed reading may be communicated through a suitable magazine or newspaper. A medium should make the main selling proposition understandable.
- **Nature of the target market:** Consider the customers' age, income, occupation, education, language and media habits. An advertisement for a specialised industrial product should reach business buyers through an appropriate trade publication, while a widely used consumer product needs media used by its intended consumers. A printed advertisement has limited usefulness for an audience unable to read it.
- **Geographical coverage:** The medium's circulation or reach should correspond to the area in which the product is sold. A local retailer may use a local newspaper or outdoor displays; a product distributed nationally may require national media. Paying to reach areas where the product is unavailable wastes part of the budget.

Step 2: Compare cost and communication effectiveness

- **Advertising budget and cost:** The funds available limit the choice of medium and the frequency of insertion or broadcast. Compare the cost of preparing and placing the advertisement with the number of relevant customers reached. An expensive medium may be justified if it reaches the right audience effectively, but the firm must be able to sustain the required campaign.
- **Nature of the message and advertising objective:** Detailed explanations need sufficient space and reading time; a short reminder may use a hoarding or brief radio message. A message relying on colour, movement or sound needs a medium that provides those facilities. Introducing a new product may therefore need a different presentation from reminding customers about an established brand.
- **Life, frequency and flexibility of the medium:** Consider how long the message remains available, how often it can reach customers and how quickly it can be changed. A magazine may be retained and read repeatedly, while a broadcast is brief and may need repetition. Timely offers require a medium whose booking and publication schedules permit the message to reach customers before the offer expires.

Step 3: Conclusion The choice should balance the nature of the product, target customers, market coverage, available budget, message requirements and the medium's life and flexibility. The firm should select the medium, or combination of media, that communicates most effectively with the intended buyers at an affordable cost.

Quick Tip to Solve: Link every factor to a media decision: who must be reached, where they are, what must be shown or explained, and how much repeated exposure the budget can buy.

OR

24(b). You are the marketing manager of a company manufacturing toy car. Which media would you choose for advertising your product ? Explain in brief, any five reasons in support of your answer. [6 marks]

Solution:

Concept:

- Marketing Management: advertising communicates a paid, non-personal message about a product to prospective buyers through a chosen medium.
- The medium must suit the product, the audience and the message. A toy car benefits from a demonstration that appeals to children while informing the parents who purchase it.

Step 1: Choose television advertising I would choose **television**, particularly advertising slots during suitable children's programmes. A toy car is a visual product whose appearance and operation can be shown effectively. The following five reasons support this choice.

Step 2: Explain the five advantages for a toy car

- **Combination of sight, sound and motion:** Television can show the toy car moving, turning and being used, accompanied by an explanation. This makes its operation easier to understand than a

description in a newspaper or a sound-only radio message.

- **Attractive presentation:** Colourful pictures, music and animation can make the advertisement interesting to children. The car's design and play value can be presented vividly, attracting attention to the product.
- **Selection of the target audience:** Placing the advertisement during children's programmes helps reach the children likely to use the toy. Appropriate family programmes can also reach parents, who influence or make the buying decision.
- **Wide coverage:** Television reaches a large number of households in different places at the same time. It is therefore useful when the company wishes to create awareness of its toy car across a broad market served by its dealers.
- **Strong and memorable impact:** A repeated audio-visual message can help viewers remember the brand name and recognise the car at a shop. A clear demonstration can arouse interest and encourage children and parents to consider buying it.

Step 3: Conclusion Television is a suitable advertising medium for the toy car because it combines an effective demonstration with attractive presentation, audience selection, wide coverage and a memorable impact.

Quick Tip to Solve: Link every advantage of the chosen medium to the toy car or its buyers; name television first and then give five distinct reasons.

25(a). Explain, in brief, any six remedies available to consumers under the Consumer Protection Act, 1986. [6 marks]

Solution:

Concept:

- Consumer Protection: the Consumer Protection Act, 1986 provides a redressal machinery through which an aggrieved consumer can seek relief against defective goods, deficient services and unfair trade practices.
- A remedy is the relief ordered by the appropriate consumer forum after examining a complaint. The relief should address the defect, deficiency or loss established in the case.

Step 1: Explain remedies concerning the goods and payment

- **Removal of defects:** The forum may direct the opposite party to remove the defect in the goods that has been established. The consumer can thus obtain rectification of the defective product instead of having to bear the consequences of its fault.
- **Replacement of goods:** It may order the defective goods to be replaced with new goods of a similar description that are free from defects. This gives the consumer a proper usable product in place of the faulty one supplied.
- **Refund of price or charges:** It may order the return of the price paid for the goods, or the charges paid for the service, as applicable. This restores the consumer's payment when the circumstances justify a refund rather than retaining an unsatisfactory product or service.

Step 2: Explain remedies concerning loss, service and trade practices

- **Compensation for loss or injury:** The opposite party may be directed to pay compensation for loss or injury suffered by the consumer due to its negligence. This addresses the harm caused in addition to the problem with the product or service itself.
- **Removal of deficiency in service:** The forum may order the deficiency in the service concerned to be removed. For example, the service provider can be required to rectify the inadequacy established in the quality or manner of providing the service.
- **Discontinuance of unfair or restrictive trade practices:** It may direct the trader or service provider to discontinue such a practice and not repeat it. This stops the objectionable conduct and helps protect consumers against its recurrence.

Step 3: Conclusion Six available remedies are removal of defects, replacement of goods, refund of payment, compensation for loss or injury, removal of service deficiency, and discontinuance of unfair or restrictive trade practices. The appropriate relief depends on the complaint proved before the consumer forum.

Quick Tip to Solve: Distinguish remedies from consumer rights: state the concrete order the forum can make, such as repair, replace, refund or compensate.

OR

25(b). Explain, in brief, any four rights of consumers as provided under the Consumer Protection Act, 1986. [6 marks]

Solution:

Concept:

- The Consumer Protection Act, 1986 recognises rights that protect buyers against exploitation and enable them to make informed decisions about goods and services.
- Consumer rights cover protection against danger, access to necessary information and alternatives, and the representation of consumer interests. Any four recognised rights may be explained here.

Step 1: Explain protection and information rights **1. Right to safety:** A consumer has the right to be protected against the marketing of goods and services which are hazardous to life and property. Products such as electrical appliances should meet appropriate safety standards so that their normal use does not expose the buyer to avoidable danger. This right supports the purchase of safe, quality products rather than goods that merely appear attractive or cheap.

2. Right to be informed: A consumer has the right to receive information about the quality, quantity, potency, purity, standard and price of goods or services, as applicable, to be protected against unfair trade practices. Accurate labels, price details, instructions and warnings help the buyer compare products and use them properly. For example, knowing a packaged product's quantity and price allows a meaningful comparison instead of relying on a seller's unsupported claims.

Step 2: Explain choice and representation rights **3. Right to choose:** A consumer has the right to be assured, wherever possible, of access to a variety of goods and services at competitive prices. The buyer should have the opportunity to compare available alternatives and select the one that meets

personal requirements. A seller should not compel the consumer to buy an unwanted product as a condition for obtaining the product actually desired. This right makes the purchase a decision of the buyer rather than an imposition by the seller.

4. Right to be heard: A consumer has the right to be heard and to be assured that consumer interests receive due consideration at appropriate forums. Consumers must have an opportunity to express complaints and present their views about unsatisfactory goods, services or trade practices. They may raise their concerns individually or through consumer organisations. This right ensures that a business or an appropriate consumer forum gives due attention to their grievances; it is distinct from the actual relief granted after a complaint is decided.

Step 3: Conclusion Four rights under the Consumer Protection Act, 1986 are the right to safety, the right to be informed, the right to choose and the right to be heard. Together, they protect the consumer before purchase, support an informed and free buying decision, and provide a voice when consumer interests are affected.

Quick Tip to Solve: For each right, state its name and explain what protection it gives. Keep "being heard" separate from "seeking redressal": presenting a grievance and obtaining a remedy are different rights.