CBSE Class 12 Business Studies Question Paper 2005 with Solution PDF-Set 66/2/1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

(i) Please check that this question paper contains 5 printed pages.

(ii) Code number given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.

(iii) Please check that this question paper contains 25 questions.

(iv) Please write down the serial number of the question before attempting it.

(v) Answers to questions carrying **2 - 3** marks should not exceed **30 - 40** words.

(vi) Answers to questions carrying **4 - 5** marks should not exceed **60 - 80** words.

(vii) Answers to questions carrying **6** marks should not exceed **100** words.

(viii) Attempt all parts of a question together.

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

Solution:

Concept:

- Lower-level management consists of supervisors, foremen and other managers who directly oversee operative employees.
- It translates departmental plans into day-to-day work and maintains the link between workers and higher management.

Step 1: Assign and guide the work **Allocation and supervision of work:** Lower-level managers assign specific jobs to workers, explain the methods to be followed and guide them while work is being performed. They ensure that employees understand their duties and that actual operations follow the plans and standards fixed by management.

Step 2: Maintain working conditions **Maintain safe and satisfactory working conditions:** They ensure that workers have the materials, tools and facilities needed to perform their tasks and that safety standards are followed. Attention to workplace problems helps employees work efficiently and reduces interruptions in production.

Step 3: Conclusion Two functions are allocating and supervising workers' tasks, and maintaining safe and satisfactory working conditions.

Quick Tip to Solve: For lower-level management, name functions performed directly at the shop-floor or operating level.

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

Solution:

Concept:

- The social environment is a dimension of the external business environment.
- It includes the social forces that influence the needs, preferences and behaviour of people and therefore affect business decisions.

Step 1: Define the social environment The **social environment of business** means the social forces surrounding a business, including the customs and traditions, values and beliefs, social trends, attitudes and expectations of the society in which it operates. These forces influence what people consider desirable and acceptable.

Step 2: Relate social forces to business A business must take these forces into account when designing products and choosing its practices. For example, increasing health consciousness can increase demand for healthier food, while changing attitudes towards women's employment can increase demand for convenient household services. Such changes arise from society and influence business opportunities.

Step 3: Conclusion The social environment comprises society's customs, values, beliefs, attitudes and trends that shape consumer preferences and influence business activities.

Quick Tip to Solve: Link social environment with people's values and ways of living; link economic environment with income, prices and other economic conditions.

3. Enumerate any two points of importance of directing as a function of management. [2 marks]

Solution:

Concept:

- Directing involves instructing, guiding, motivating and leading employees so that they contribute towards organisational objectives.
- Its importance lies in converting plans into action and bringing individual efforts together.

Step 1: State initiation of action **Initiates action:** Directing sets employees to work by giving instructions and guidance about what has to be done and how it should be performed. Planning and organising prepare the framework, but directing activates people to carry out their assigned tasks and achieve the objectives.

Step 2: State integration of efforts **Integrates employees' efforts:** Through guidance, leadership and communication, directing channels the work of different employees towards a common purpose. It helps people understand how their individual tasks contribute to organisational goals and prevents their efforts from working at cross-purposes.

Step 3: Conclusion Directing is important because it initiates action and integrates employees' efforts towards organisational objectives.

Quick Tip to Solve: For an importance question, state the benefit as a heading and explain how directing produces that benefit.

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

Solution:

Concept:

- The selling concept is a marketing management philosophy that gives priority to selling and promotion.
- It assumes that customers will not buy enough of a firm's products unless the firm makes an aggressive selling effort.

Step 1: Explain the central idea Under the **selling concept**, a firm believes that consumers must be persuaded to buy its products through intensive selling and promotional efforts. The business therefore concentrates on increasing the sales volume of what it has already produced, rather than beginning with the identification of customers' needs.

Step 2: Explain its method and objective The firm uses personal selling, advertising and sales promotion to attract attention, persuade buyers and stimulate purchases. Its immediate emphasis is on completing transactions and earning profit through a larger volume of sales. For example, strong promotional campaigns may be used to sell accumulated stocks.

Step 3: Conclusion The selling concept means achieving a high sales volume through aggressive selling and promotional efforts, on the assumption that consumers will otherwise not buy enough.

Quick Tip to Solve: Remember the selling concept by its starting point: sell what the firm produces through persuasion and promotion.

5. How does marketing create demand for products and services ? [2 marks]

Solution:

Concept:

- Marketing identifies customer needs and makes suitable products and services available to satisfy them.
- Demand is stimulated when customers know about an offering and recognise its ability to satisfy their needs.

Step 1: Inform and persuade customers **Promotion:** Marketing creates awareness of products and services through advertising, personal selling, publicity and sales promotion. It explains the offering's features and benefits and persuades prospective customers that buying it can satisfy a need. Informed customers are more likely to consider a purchase.

Step 2: Make the offering attractive and accessible **An appropriate marketing mix:** The business designs products to meet customer needs, offers them at suitable prices and makes them conveniently available through distribution channels. These decisions, together with promotion, encourage customers to convert an existing need or desire into demand for the firm's offering.

Step 3: Conclusion Marketing stimulates demand by informing and persuading customers about need-satisfying products and services and supporting this with suitable product, price and distribution decisions.

Quick Tip to Solve: Explain demand creation through awareness and persuasion, then connect it with a product that customers want and can obtain.

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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) Unity of direction

(ii) Esprit de crops

(iii) Subordination of individual interest to general interest [3 marks]

Solution:

Concept:

- Fayol's principles guide managerial conduct and improve coordination, cooperation and the achievement of organisational objectives.
- Each principle has a distinct positive effect: unity of direction coordinates activities, esprit de corps builds team spirit, and subordination of individual interest protects the common purpose.

Step 1: Explain unity of direction **(i) Unity of direction:** Activities having the same objective should be directed by one manager using one plan. This unifies efforts and prevents different departments or employees from pursuing conflicting courses of action. Resources are used in a coordinated manner, duplication is reduced, and the organisation moves efficiently towards its common objective. It concerns the direction of related activities, rather than the number of supervisors giving orders.

Step 2: Explain esprit de corps **(ii) Esprit de corps:** Management should promote team spirit,

mutual trust and a sense of belonging among employees. Employees cooperate instead of competing destructively with colleagues. This produces harmony and unity, strengthens morale, and encourages members to contribute willingly to group performance. A team that identifies with the organisation works together to overcome difficulties.

Step 3: Explain the priority of general interest **(iii) Subordination of individual interest to general interest:** The interests of the organisation should take precedence whenever personal interests conflict with them. This prevents personal gain from obstructing collective objectives and encourages employees to make decisions for the benefit of the enterprise as a whole. It improves cooperation and keeps the organisation focused on its common goals.

Step 4: Conclusion The three principles respectively produce coordinated effort, team spirit, and priority for organisational objectives over conflicting personal interests.

Quick Tip to Solve: Link each principle to its particular outcome: one plan to coordination, team spirit to harmony, and general interest to common goals.

7. Why is it important to motivate employees in an organisation ? Give any three reasons. [3 marks]

Solution:

Concept:

- Motivation means stimulating people to act in a desired manner by addressing their needs and encouraging effort towards organisational objectives.
- It bridges the gap between an employee having the ability to work and being willing to use that ability effectively.

Step 1: Explain the improvement in performance **1. Better employee performance:** Motivation encourages employees to use their knowledge, ability and energy fully. An employee who is willing to work takes greater initiative, concentrates on the task and makes a more sustained effort. As a result, available human resources are used more effectively, and both individual performance and overall productivity improve.

Step 2: Explain the reduction in employee turnover **2. Lower employee turnover:** Appropriate financial and non-financial incentives help satisfy employees' needs and create a sense of recognition and belonging. Satisfied employees are less likely to leave the organisation for another employer. The organisation therefore retains experienced staff and avoids repeated recruitment and training costs as well as disruption of work.

Step 3: Explain the acceptance of change **3. Easier introduction of change:** Employees may resist new technology, methods or responsibilities because of uncertainty and fear. Motivation, supported by communication and recognition, helps them understand the benefit of change and develops a positive attitude towards it. Willing cooperation makes it easier for management to introduce improvements and achieve organisational objectives.

Step 4: Conclusion Motivation is important because it improves performance, reduces employee turnover and helps employees accept organisational change willingly.

Quick Tip to Solve: For each reason, connect the incentive or satisfied need to a clear organisational benefit; naming motivation alone is insufficient.

8. "Efficiency and productivity depend upon the quality of leadership." Do you agree with this statement ? Give any three reasons in support of your answer. [3 marks]

Solution:

Concept:

- Leadership is the process of influencing the behaviour of people so that they strive willingly and enthusiastically towards group objectives.
- Effective leadership combines guidance, motivation and cooperation; these influence how efficiently employees use resources and how much useful output they produce.

Step 1: State the agreement and explain guidance Yes, I agree with the statement. **1. Clear guidance and direction:** A good leader explains objectives, clarifies duties and guides employees in performing their work. Employees understand what is expected and how their efforts fit into the common task. This reduces confusion, prevents avoidable mistakes and wasted effort, and helps employees complete work efficiently.

Step 2: Explain motivation and confidence **2. Motivation and confidence:** A capable leader recognises good work, encourages initiative and supports employees in overcoming difficulties. This builds confidence and willingness to put in greater effort. Employees use their abilities more fully instead of merely complying with orders, which improves the quality and quantity of output and therefore raises productivity.

Step 3: Explain cooperation and conflict resolution **3. Teamwork and cooperation:** A good leader maintains personal contact, listens to employees and resolves differences among them. Mutual trust and harmonious relations encourage employees to cooperate and coordinate their activities. Time and energy otherwise lost in disputes are saved, work proceeds smoothly, and collective effort becomes more productive.

Step 4: Conclusion Quality leadership promotes clear direction, motivated effort and cooperative teamwork. These are strong reasons for agreeing that leadership affects efficiency and productivity.

Quick Tip to Solve: Support agreement with three links to results: guidance reduces waste, encouragement raises effort, and teamwork prevents friction.

9. Enumerate any three company related factors that should be kept in view while deciding the choice of channels of distribution for any product. [3 marks]

Solution:

Concept:

- Company-related factors concern the resources, capabilities and distribution objectives of the producer when selecting a channel.
- A direct or shorter channel usually gives greater control but requires the producer to organise and finance more distribution activities itself.

Step 1: Enumerate financial strength **1. Financial strength:** A financially strong company can invest in its own sales force, warehouses, transport arrangements and retail outlets. It can therefore consider

direct selling or a shorter distribution channel. A company with limited funds generally relies more on intermediaries, who provide distribution facilities and may also help finance the movement of goods.

Step 2: Enumerate the desired degree of control **2. Degree of control desired:** A company that wants close control over selling methods, customer service and the presentation of its products tends to prefer direct distribution or a short channel. With additional independent intermediaries, control over the way goods are marketed becomes more limited. The desired control must therefore be considered while choosing the channel.

Step 3: Enumerate available managerial and marketing capability **3. Managerial and marketing capability:** The company must consider whether it has experienced sales personnel and the ability to perform distribution functions efficiently. A company with adequate selling expertise and its own distribution facilities can undertake these activities itself. A company lacking such capability may use established intermediaries and benefit from their market knowledge, contacts and services.

Step 4: Conclusion Three company-related considerations are financial strength, the degree of control desired, and the availability of managerial and marketing capability.

Quick Tip to Solve: Keep the answer about the producer itself. Product perishability and customer location belong to different categories of channel factors.

10. State any three features of public relations. [3 marks]

Solution:

Concept:

- Public relations is the planned effort to establish and maintain mutual understanding and goodwill between an organisation and its various publics, including customers, employees, investors and the community.
- Its message earns acceptance through public interest and credibility rather than depending only on a direct request to buy a product.

Step 1: State the credibility feature **High credibility:** News reports, articles and features about an organisation are generally considered more authentic and credible than paid advertisements. Since the information appears to come from a news source rather than directly from the seller, the public is more willing to consider it. A favourable report can therefore strengthen trust in the organisation.

Step 2: State the reach and presentation features **Ability to reach people who avoid advertisements:** A public-relations message can reach prospective buyers who avoid salespeople or ignore advertisements. They may read an article, watch a news report or attend a community event even though they would not respond to a direct sales appeal.

Dramatisation: Public relations can present a company or its products in an interesting and striking manner. Events, exhibitions, speeches and newsworthy activities attract attention and make the organisation's message memorable to the public.

Step 3: Conclusion Three features of public relations are high credibility, the ability to reach people who avoid direct promotional messages, and the ability to dramatise a company or its products. Together these help an organisation build goodwill and favourable public understanding.

Quick Tip to Solve: Recall credibility, reach and dramatisation; state each as a feature and add one sentence explaining how it helps public relations.

11. Describe, in brief, Taylor's principles of
(i) separation of planning and operational work, and
(ii) science, not the rule of thumb. [4 marks]

Solution:

Concept:

- Taylor's scientific management replaces unplanned working practices with systematic study, scientific decisions and a clear allocation of responsibilities between management and workers.
- Management should determine the best method and conditions of work, while workers perform the assigned operations according to those scientifically developed plans.

Step 1: Explain separation of planning and operational work **Meaning:** Planning the work and actually carrying out the work should be treated as distinct responsibilities. Management and its planning specialists should decide what is to be done, how it is to be done, the sequence of operations, the tools to be used and the time allowed. Workers should concentrate on executing these plans rather than independently devising methods while performing the job.

Purpose: This division makes use of specialisation. Managers have the information and facilities needed to investigate methods and prepare instructions; workers can devote their skill and effort to production. Clear instructions reduce uncertainty and variation in performance. For example, the planning staff specifies the operation and suitable equipment before the worker begins the assigned task.

Step 2: Explain science rather than the rule of thumb **Meaning:** Every element of a job should be studied scientifically instead of being performed solely according to personal judgement, habit or a traditional trial-and-error method. Taylor advocated finding the best method through observation, analysis and experimentation. Work studies can establish suitable movements, standard time, tools and working conditions.

Purpose: Different workers following their own rules of thumb may waste effort and produce inconsistent results. A scientifically tested method removes unnecessary operations, reduces waste and improves efficiency. Once the most effective method is established, it should be standardised and workers should be trained to follow it; the method is selected on evidence rather than simply because it has always been used.

Step 3: Conclusion Separation of planning and operation assigns the design of work to management and its execution to workers. Science, not rule of thumb, requires scientifically tested methods in place of habit and individual guesswork. Both aim to organise work systematically and improve efficiency.

Quick Tip to Solve: For each principle, give its meaning and purpose: who plans versus who executes, then scientific investigation versus traditional guesswork.

12. Define the term 'Functional Structure' of an organisation and enumerate any three merits of this form of organisational structure. [4 marks]

Solution:

Concept:

- Organising creates a structure of jobs, authority and responsibility through which the enterprise carries out its plans.
- A functional structure groups jobs of a similar nature into major functions, such as production, marketing, finance and personnel. Each function is supervised by a specialist.

Step 1: Define functional structure A **functional structure** is an organisational structure in which activities are grouped into separate departments according to the functions performed. For example, all production activities are placed in the production department and all selling activities in the marketing department. Employees doing similar work therefore report through the same functional department rather than being grouped by individual products.

Step 2: Enumerate three merits

- **Functional specialisation:** Employees repeatedly perform work related to a particular function under expert supervision. This develops their skills and specialised knowledge, improving the quality and efficiency of their work.
- **Economy of operations:** Similar activities and resources are brought together in one department. This avoids unnecessary duplication of effort, facilities and equipment, permits better utilisation of resources and reduces operating costs.
- **Ease of training:** Members of a department concentrate on a limited range of related tasks. Their training needs can therefore be identified clearly and suitable specialised instruction can be provided, making training more focused and effective.

Step 3: Conclusion Functional structure groups similar activities into functional departments. Three merits are functional specialisation, economy of operations and ease of training.

Quick Tip to Solve: Begin with the basis of grouping: functions such as production or finance. Then connect each merit to people performing similar work together.

13. You are the representative of workers in your factory. Which method of wage payment — time-rate or piece-rate — would you prefer for your colleagues ? Explain in brief any four reasons in support of your answer. [4 marks]

Solution:

Concept:

- Under the time-rate system, wages depend on the time spent working at an agreed rate, rather than on the number of units produced.
- Under the piece-rate system, payment depends on output. From the workers' viewpoint, security of earnings, working conditions and fairness are important considerations when choosing between the systems.

Step 1: State the preferred method As the representative of the workers, I would prefer the **time-rate system**. Workers would receive remuneration for the time they work at the agreed hourly, daily or monthly rate. This gives colleagues a more dependable livelihood than a system in which every variation in output immediately changes their wages.

Step 2: Explain four reasons from the workers' viewpoint

- **Security of income:** Workers know the wages they will receive for their normal working time. They can plan household expenditure with greater certainty because earnings do not fluctuate merely with the number of units produced.
- **Protection against factors beyond their control:** Output may fall because of machine breakdowns, interruptions in power supply or delays in materials. Under time-rate payment, workers do not automatically lose wages because such difficulties reduce the units they can complete.
- **Less strain and better working conditions:** Workers need not continually speed up production to protect or increase their earnings. The reduced pressure to rush helps them work carefully and avoid excessive fatigue, damage to their health and accidents.
- **Equality and harmonious relations:** Workers doing the same category of work for the same time at the same rate receive equal wages. Differences in individual speed do not create the sharp earnings differences that can cause jealousy and unhealthy competition, encouraging cooperation among colleagues.

Step 3: Conclusion I would choose time-rate wages for the workers because this system provides dependable earnings, protects them against production interruptions beyond their control, reduces excessive strain and promotes cooperation.

Quick Tip to Solve: Keep the viewpoint fixed: as a workers' representative, justify time-rate payment through wage security, protection, health and harmonious relations.

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

Solution:

Concept:

- SEBI is the statutory body entrusted with protecting investors and promoting the development and regulation of India's securities market.
- Regulation means establishing rules for market participants, supervising compliance and taking action against practices that damage fair dealing.

Step 1: State agreement and explain supervision of market participants Yes, the statement is correct. SEBI performs the following regulatory functions, which establish its authority over the securities market.

1. Registration and regulation of intermediaries: SEBI registers and regulates stockbrokers, sub-brokers, merchant bankers, underwriters and other intermediaries connected with the securities market. It prescribes conditions and a code of conduct for their activities. This subjects those who handle investors' transactions and funds to an organised system of supervision rather than leaving

their conduct unchecked.

2. Regulation of stock exchanges: SEBI regulates the working of stock exchanges and the securities business conducted through them. It can call for information, conduct inquiries and undertake inspections and audits. These powers help it check whether trading institutions follow prescribed rules and maintain fair and orderly dealings.

Step 2: Explain control over investment schemes and changes in corporate control **3. Registration and regulation of collective investment institutions:** SEBI registers and regulates the working of mutual funds and collective investment schemes. These organisations mobilise funds from many investors for investment in securities. Supervision of their activities helps ensure compliance with the prescribed conditions and protects the interests of the investors whose money they manage.

4. Regulation of substantial acquisitions and takeovers: SEBI regulates substantial acquisition of shares and the takeover of companies. Such transactions can change the control of a company and affect existing shareholders. Requiring compliance with takeover rules promotes disclosure and fair treatment of investors during a change in control.

Step 3: Conclusion SEBI is the regulatory authority of the securities market because it supervises intermediaries and stock exchanges, regulates mutual funds and collective investment schemes, and controls substantial share acquisitions and takeovers.

Quick Tip to Solve: Support the word "regulatory" with powers over market participants and transactions: intermediaries, exchanges, investment schemes and takeovers.

15. Distinguish between the features of National Stock Exchange of India (NSEI) and Over the Counter Exchange of India (OTCEI) on the basis of

(i) size of company,

(ii) securities traded,

(iii) settlement, and

(iv) objective. [4 marks]

Solution:

Concept:

- NSEI provides a nationwide electronic trading platform for a wide range of securities. OTCEI was designed particularly to provide a securities market for smaller companies.
- A distinction must compare the two exchanges on the same basis. The settlement comparison below uses the traditional textbook treatment applicable to this question.

Step 1: Compare the companies served and the securities traded The following table distinguishes the exchanges on the first two bases specified in the question.

Basis	NSEI	OTCEI
(i) Size of company	Primarily provides a trading platform for securities of large and well-established companies that meet its listing requirements.	Primarily caters to small and medium-sized companies, giving them access to a securities market when they may not qualify for a regular large exchange.
(ii) Securities traded	Deals in a wider range of both capital-market and money-market securities, such as equity shares, debentures, government securities, Treasury bills and public-sector bonds.	Deals mainly in capital-market securities, such as equity shares and debentures of the companies admitted to its market.

Step 2: Compare settlement and the main objective

Basis	NSEI	OTCEI
(iii) Settlement	In the traditional textbook comparison, payment and delivery are completed within 15 days of the transaction.	In the traditional textbook comparison, payment and delivery are completed within 7 days, providing quicker settlement.
(iv) Objective	To establish a nationwide, ringless, fair and transparent trading facility, with equal access to investors through an electronic communication network.	To provide an accessible and cost-effective securities exchange for smaller companies and an efficient investment and liquidity facility for their investors.

The settlement period is the time allowed for completing the payment and delivery obligations arising from a trade; it is different from the time at which the price is agreed.

Step 3: Conclusion NSEI serves a broader national securities market, particularly larger companies, whereas OTCEI particularly serves smaller companies. Their traditional comparison also distinguishes the range of securities and the settlement periods of 15 days and 7 days respectively.

Quick Tip to Solve: Use exactly the four given bases as table rows; pair each NSEI feature directly with its OTCEI counterpart instead of writing two unrelated descriptions.

16. "Management is regarded as an art." Do you agree ? Explain the reasons. [5 marks]

Solution:

Concept:

- Art means the skilful and personal application of existing knowledge to achieve desired results. It combines theoretical understanding with practical judgement.
- Management is an art because a manager applies management knowledge creatively to particular people, resources and business situations; knowing a principle alone does not ensure effective performance.

Step 1: State the agreement and connect management with art Yes, management is rightly regarded as an art. A manager must get work accomplished through people in actual organisational conditions. This requires skill in applying knowledge, rather than merely memorising rules. The following

characteristics of art are found in management.

Step 2: Explain the features of art present in management

- **Existence of theoretical knowledge:** Every art rests on a body of knowledge. Managers have theories, principles and techniques concerning planning, organising, staffing, directing and controlling. For example, knowledge of motivation helps a manager understand what may encourage employees.
- **Personalised application:** An artist uses knowledge in an individual manner. Similarly, managers apply the same principles differently according to their experience, ability and judgement. Two managers may use different methods to motivate their teams while pursuing the same objective.
- **Creativity:** Art involves imagination and innovation. Managers combine human and material resources in new ways and adapt general principles to unique problems. A manager may devise a new work arrangement to remove delays instead of mechanically repeating an old procedure.
- **Practice and experience:** Skill in an art improves through repeated practice. Managers also become more effective by making decisions, handling employees and learning from results. Experience helps them judge when and how a management technique should be used.
- **Result-oriented application:** Art is directed towards accomplishing a specific result. Management similarly uses practical skills to achieve organisational objectives, such as improved quality or timely delivery, by coordinating the efforts of people.

Step 3: Conclusion Management is an art because it involves the creative, personalised and practised application of management knowledge to achieve objectives. Its effectiveness depends on how skilfully a manager applies that knowledge in a particular situation.

Quick Tip to Solve: Link each characteristic of art with a manager's actual work; merely listing the characteristics does not explain why management is an art.

17. State any five major changes initiated by the Government of India since 1991 to modernise India's industrial system. [5 marks]

Solution:

Concept:

- The economic reforms introduced in India in 1991 aimed to modernise industry by reducing unnecessary controls, expanding private enterprise and integrating Indian business with the world economy.
- The major policy directions were liberalisation, privatisation and globalisation. They were implemented through specific changes in industrial licensing, public-sector policy, foreign investment, technology agreements and trade controls.

Step 1: Identify the policy shift initiated in 1991 Since 1991, the Government of India has moved from extensive regulation towards a more competitive industrial system. Instead of controlling most business decisions through licences and permissions, the reforms gave enterprises greater freedom and exposed them to domestic and international competition. Any five major changes are as follows.

Step 2: State five changes in industrial and related policies

- **Abolition of industrial licensing:** Industrial licensing was abolished for most industries, with only a small number retained for reasons such as security or strategic importance. Entrepreneurs therefore obtained greater freedom to establish and expand industrial units without prior licensing requirements in most fields.
- **Reduction in the role reserved for the public sector:** The number of industries exclusively reserved for public-sector enterprises was reduced. Private enterprises were permitted to enter many areas previously reserved for the government, increasing competition and widening opportunities for investment.
- **Disinvestment in public-sector enterprises:** The government began selling a portion of its shareholding in selected public-sector enterprises. This reduced exclusive government ownership and was intended to improve efficiency, accountability and the commercial orientation of these enterprises.
- **Liberalisation of foreign investment and technology agreements:** Foreign direct investment was encouraged, and approval procedures for investment and foreign technology collaboration were simplified in specified industries. These changes helped Indian industry obtain capital, modern production methods and technical knowledge.
- **Liberalisation of imports and foreign trade:** Import restrictions were progressively relaxed, import duties were reduced and procedures for importing capital goods and inputs were simplified. Indian firms could obtain modern machinery and better inputs, while greater international competition encouraged improvements in quality and efficiency.

Step 3: Conclusion Delicensing, reduced public-sector reservation, disinvestment, easier foreign investment and technology collaboration, and liberalised imports were major changes initiated since 1991. Together, they sought to make India's industrial system more modern, efficient and competitive.

Quick Tip to Solve: State concrete policy changes rather than only naming liberalisation, privatisation and globalisation; those three words describe the broad reform directions.

18. "Controlling helps in monitoring sales and coping with organisational complexities." Explain this statement in brief. [5 marks]

Solution:

Concept:

- Controlling is the management function of comparing actual performance with planned standards, finding deviations and taking corrective action so that organisational objectives are achieved.
- Sales targets provide measurable standards, while coordination and timely information make control especially important when an organisation has many products, departments and locations.

Step 1: Explain how control monitors sales

- **Establish sales standards:** Management fixes sales targets for a period, product, territory or salesperson. Targets may be expressed in units or sales value, giving employees a clear expected level of achievement.
- **Measure and compare results:** Actual sales are recorded through sales reports and compared

with these targets. Periodic comparison reveals whether performance is on schedule and identifies products or territories with significant shortfalls.

- **Investigate and correct deviations:** Managers examine the reasons for a shortfall, such as inadequate selling effort, delayed supplies or a change in customer demand. Suitable action may include sales training, improved distribution or a revised selling strategy. Thus control converts sales information into timely managerial action.

Step 2: Explain how control handles organisational complexity

- **Coordinate diverse activities:** As an enterprise grows, different departments, branches and employees perform interdependent tasks. Standards, reporting arrangements and checks help ensure that their activities contribute to the same objectives rather than pulling in different directions.
- **Locate responsibility and emerging problems:** Control reports show where actual results differ from the plan and identify the activity for which corrective action is needed. Management can concentrate on important exceptions instead of personally supervising every transaction. This makes a large, dispersed organisation more manageable and helps prevent small difficulties from becoming major problems.

Step 3: Conclusion Controlling monitors sales by comparing actual results with sales targets and correcting significant deviations. It also helps management cope with organisational complexity through coordinated standards, timely reports and clear responsibility for corrective action.

Quick Tip to Solve: Link sales to target, comparison and correction; link organisational complexity to coordination, information and responsibility.

19. Explain any five points of importance of financial planning. [5 marks]

Solution:

Concept:

- Financial planning means estimating the funds a business will require and deciding their sources and timing so that suitable funds are available when needed.
- It connects investment and operating plans with financing decisions, seeking to avoid both a shortage of funds and unnecessary idle funds.

Step 1: Explain how planning ensures suitable funds

- **Ensures availability of funds:** Financial planning estimates how much money is needed for fixed assets and day-to-day operations and when it will be needed. Arrangements can therefore be made in advance, reducing the risk that an otherwise feasible activity stops for want of finance.
- **Avoids wasteful surplus funds:** Planning also prevents raising substantially more finance than the business requires. Idle funds yield little return while borrowed funds involve interest. Matching fund mobilisation to requirements helps avoid unnecessary financial cost and poor utilisation of resources.

Step 2: Explain how planning improves future decisions and coordination

- **Prepares the business for future situations:** Estimates of future receipts, payments and financing needs enable management to anticipate a possible cash shortage or surplus. Considering alternative situations in advance helps it prepare suitable responses rather than make hurried financial decisions when difficulties arise.
- **Coordinates business activities:** Production, sales, purchasing and investment plans all have financial consequences. A financial plan brings their requirements together, helping ensure that departmental plans are consistent with one another and with the resources available to the enterprise.
- **Provides a basis for financial control:** Budgets and planned financial results provide standards against which actual receipts, expenditure and fund requirements can be compared. Significant deviations can then be investigated and corrected, improving the use of funds and accountability for financial performance.

Step 3: Conclusion Financial planning is important because it ensures timely availability of funds, avoids wasteful surplus finance, prepares the business for future situations, coordinates departmental activities and supplies standards for financial control.

Quick Tip to Solve: Give five distinct benefits and explain the business consequence of each; do not merely repeat that financial planning estimates funds.

20. You are a newly appointed finance manager in the company and you found that the company is badly affected by over-capitalisation. The directors do not agree with your findings. Convince the directors by giving any five effects of over-capitalisation on the company. [5 marks]

Solution:

Concept:

- Over-capitalisation exists when a company's capital is greater than the amount justified by its earning capacity. It does not merely mean that the business holds excess cash.
- A persistent low return on the capital employed affects the company's financial standing, access to finance and ability to maintain productive assets.

Step 1: Explain the financial warning to the directors The company is over-capitalised if its normal earnings cannot provide a fair return on the capital represented by its securities. Directors should therefore compare earning capacity with the capital employed, rather than regard a large nominal capital as evidence of financial strength. The following five effects explain why this condition harms the company.

Step 2: Present five effects on the company

- **Difficulty in raising fresh capital:** Investors are reluctant to subscribe to new shares when existing capital earns an inadequate return. The company therefore finds it difficult to obtain additional funds for expansion or replacement of assets.
- **Difficulty in obtaining credit:** Poor profitability weakens the company's creditworthiness. Lenders may refuse further credit, demand additional security or charge a higher rate of interest, increasing the financial burden.

- **Loss of goodwill:** Persistently low earnings and low dividends reduce confidence in the company's management and prospects. Its financial reputation suffers among investors, creditors and the business community.
- **Inadequate provision for maintenance and depreciation:** To show profits or maintain dividends despite weak earnings, management may postpone repairs and make insufficient provision for depreciation. Assets then deteriorate and operating efficiency falls further.
- **Possibility of reorganisation or liquidation:** If inadequate earnings and financial difficulties continue, the company may have to reconstruct its capital and reorganise its affairs. In extreme cases, continued losses and inability to meet obligations may lead to liquidation.

Step 3: Conclusion Over-capitalisation can restrict fresh capital and credit, damage goodwill, weaken maintenance of assets and ultimately force financial reorganisation or liquidation. These company-level consequences justify investigating and correcting the excessive capital in relation to earning capacity.

Quick Tip to Solve: Keep the answer focused on the company: explain access to funds, credit, reputation, assets and survival, rather than listing only shareholders' losses.

21(a). Explain in brief, the meaning of 'Planning' and any five characteristics of planning. [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 who is to do it.
- It establishes objectives and selects a suitable course of action from the available alternatives, thereby linking the present position of the organisation with its desired future position.

Step 1: State the meaning of planning Planning means thinking before acting: managers first determine the results to be achieved and then decide the actions, methods, timing and responsibilities required to achieve them. For example, before increasing sales, a business fixes its sales objective and decides the products, markets and selling efforts through which it will pursue that objective. Planning thus provides a reasoned basis for future action rather than leaving decisions to chance.

Step 2: Explain five characteristics of planning

- **Planning focuses on achieving objectives:** Plans are formulated to attain specific organisational goals. Objectives provide the direction for deciding which activities are necessary and whether the selected course of action is suitable.
- **Planning is a primary function of management:** It precedes organising, staffing, directing and controlling. Managers must know what is to be achieved before arranging resources, assigning duties or evaluating actual performance against planned standards.
- **Planning is pervasive:** It is required at every level of management and in every department. Top managers prepare broad organisational plans, while middle and supervisory managers prepare more detailed plans for their respective areas of responsibility.
- **Planning is continuous:** A plan applies for a particular period, after which another plan must be

prepared. Existing plans are also reviewed and revised when circumstances change, so planning continues throughout the life of the enterprise.

- **Planning is futuristic:** It looks ahead and anticipates future events and conditions. Managers use forecasts and assumptions about such matters as demand, competition and resource availability to decide present actions for achieving future results.

Step 3: Conclusion Planning is advance decision-making about objectives and the means of achieving them. It is objective-oriented, primary, pervasive, continuous and futuristic; together these characteristics make it a systematic guide for managerial action.

Quick Tip to Solve: Begin with what, how, when and who; then explain each characteristic separately and connect it to the way managers prepare or use plans.

OR

21(b). "No enterprise can achieve its objectives without systematic planning." Do you agree ? Give any five reasons in support of your answer. [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 will do it. It connects the enterprise's present position with its desired objectives.
- Systematic planning gives coordinated direction to managerial action. Its importance lies in guiding effort, preparing for change, reducing waste, improving decisions and providing standards for control.

Step 1: State agreement and explain the first three reasons Yes, I agree with the statement. An objective tells an enterprise what it wants to achieve; a systematic plan specifies the course of action through which it intends to achieve it. The following reasons explain why planning is essential:

- **Provides direction:** Planning states objectives clearly and identifies the work to be performed. Departments and employees know the results expected of them, so their efforts move towards common organisational objectives rather than unrelated personal targets.
- **Reduces the risk of uncertainty:** Planning requires managers to look ahead, anticipate possible changes and consider suitable responses. Although it cannot eliminate uncertainty, advance preparation reduces the impact of unexpected events and enables a more considered response.
- **Reduces overlapping and wasteful activities:** Plans clarify responsibilities and coordinate the activities of different departments. This avoids duplication of work, conflicting actions and unnecessary use of resources, making it easier to employ time, money and effort efficiently.

Step 2: Explain decision making and control

- **Facilitates decision making:** Planning involves identifying alternative courses of action, evaluating their likely costs and benefits, and selecting a suitable course in relation to the objectives. Decisions therefore rest on an examination of alternatives instead of being made merely on impulse.
- **Establishes standards for controlling:** Plans specify the results to be achieved and the time

within which they should be achieved. Managers compare actual performance with these planned standards, identify deviations and take corrective action. Without a planned target, they would lack a clear basis for judging performance.

These benefits explain why planning supports the achievement of objectives. However, plans must also be implemented through organising, staffing, directing and controlling; preparing a plan alone does not guarantee success.

Step 3: Conclusion Systematic planning is essential because it provides direction, reduces uncertainty, prevents overlapping and waste, facilitates decisions and establishes standards for control. It makes the enterprise's actions purposeful and coordinated towards its objectives.

Quick Tip to Solve: Begin with your agreement, then use five distinct importance headings; explain how each heading helps the enterprise achieve its objectives.

22(a). Distinguish between formal and informal organisations on the basis of
(i) Purpose,
(ii) Stability,
(iii) Adherence to rules,
(iv) Tenure,
(v) Flow of authority, and
(vi) Communication. [6 marks]

Solution:

Concept:

- Formal organisation is the structure of jobs, authority and responsibility deliberately created by management to accomplish organisational objectives.
- Informal organisation is the network of personal and social relationships that develops spontaneously among people working together. The distinction concerns the nature of the relationship, not two necessarily separate sets of employees.

Step 1: Identify the two kinds of organisation A formal organisation exists because management intentionally assigns duties, establishes positions and defines reporting relationships. An informal organisation arises naturally as employees interact, share interests and develop friendships. The same employee can belong to both the formal structure and an informal group. Their differences on the six specified bases are as follows.

Step 2: Compare each of the six specified bases

Basis	Formal organisation	Informal organisation
Purpose	It is created to achieve the enterprise's predetermined objectives by coordinating officially assigned work.	It develops to satisfy employees' social needs, including friendship, belongingness and mutual support.
Stability	Its structure is relatively stable because positions and relationships are officially defined. Changes normally require a managerial decision.	It is relatively less stable because relationships and group patterns can change as people's interests and interactions change.

Adherence to rules	Members are expected to follow prescribed rules, procedures and official standards of conduct.	Relationships are governed mainly by unwritten group norms, customs and personal understanding rather than formally prescribed procedures.
Tenure	An official relationship continues while the relevant positions and employment relationship exist; it is not dependent on personal liking.	A relationship continues while members maintain their personal association or common interests; it has no officially fixed tenure.
Flow of authority	Authority flows through the officially established hierarchy, normally from superior to subordinate.	There is no prescribed official chain of authority; influence flows through personal acceptance and the group's informal leaders.
Communication	Communication normally follows prescribed channels and the official reporting structure.	Communication flows freely in different directions through personal contacts, often called the grapevine.

The distinction between authority and influence is important: an informal leader may influence colleagues without holding an officially superior position.

Step 3: Conclusion Formal organisation is deliberately structured around official objectives, rules and authority. Informal organisation develops naturally around social relationships, group norms and personal influence. The two can coexist within the same enterprise.

Quick Tip to Solve: Use the question's six bases as the table's first column, and write a directly comparable statement for each organisation in the same row.

OR

22(b). "Delegation of authority helps in reducing the workload of managers and in motivating the subordinates." Explain this statement. [6 marks]

Solution:

Concept:

- Delegation is the transfer of authority from a superior to a subordinate to carry out an assigned task. It involves assigning responsibility, granting commensurate authority and creating accountability.
- A subordinate receives authority to make decisions within specified limits, while the superior remains ultimately accountable for the performance of the delegated work.

Step 1: Explain how delegation reduces the managerial workload

- **Sharing routine work:** A manager assigns suitable operational duties to subordinates instead of performing every activity personally. The subordinate can take the related day-to-day decisions within the authority granted.
- **Concentration on important matters:** Time released from routine duties can be devoted to planning, policy decisions, coordination and exceptional problems. The manager can therefore attend more carefully to matters requiring managerial judgement.
- **Effective supervision:** Clear duties, authority limits and expected results enable the manager to review performance through reports and significant deviations. Constant intervention in every

minor decision becomes unnecessary, improving managerial effectiveness.

Step 2: Explain how delegation motivates subordinates

- **Recognition and confidence:** Entrusting meaningful work and decision-making authority shows the superior's confidence in the subordinate. This recognition raises the employee's sense of importance and willingness to contribute.
- **Initiative and satisfaction:** Freedom to decide how an assigned task is performed gives scope for initiative and creativity. Successfully completing responsible work brings achievement, self-confidence and job satisfaction.
- **Development and advancement:** Handling decisions provides practical experience, improves skills and prepares employees for positions carrying greater responsibility. The opportunity to grow encourages commitment and better performance.

Delegation must include adequate authority and support, rather than merely adding duties. The superior should clarify expected results and retain an appropriate system of review.

Step 3: Conclusion Delegation reduces the manager's operational burden and creates time for higher-level work. At the same time, the trust, autonomy and opportunities for development given to subordinates strengthen their motivation. Ultimate accountability of the delegating manager nevertheless remains.

Quick Tip to Solve: Organise this answer under the two effects named in the statement: relief for the manager and recognition, autonomy and growth for the subordinate.

23(a). Why are external sources of recruitment better than internal sources of recruitment ? Explain briefly, any six reasons. [6 marks]

Solution:

Concept:

- External recruitment attracts candidates from outside the organisation through sources such as advertisements, employment exchanges, placement agencies and educational institutions.
- Internal recruitment fills vacancies from existing employees through promotion or transfer. External sources offer advantages when a wider choice, new competence or fresh thinking is required.

Step 1: Explain the advantages of a wider external labour market

- **Wider choice:** External recruitment opens the vacancy to a large pool of applicants rather than restricting it to current employees. Comparing more suitable applicants improves the opportunity to select a person whose abilities match the job.
- **Availability of qualified personnel:** The organisation can attract candidates possessing the professional qualifications, specialised knowledge and experience required for a vacancy. Such abilities may not be available among its existing employees.
- **Fresh talent and ideas:** Outsiders bring different experiences, approaches and knowledge of practices elsewhere. These new perspectives can stimulate innovation and help the organisation adapt to changing business conditions.

Step 2: Explain the benefits for performance and organisational growth

- **Competitive spirit:** The entry of capable outsiders can encourage existing employees to improve their own skills and performance. They recognise that advancement depends on competence and effort rather than merely on length of service.
- **Meeting expansion requirements:** A growing organisation needs additional people, not simply transfers of its existing workforce. External recruitment enlarges the workforce and helps fill new posts when internal candidates are insufficient.
- **Access to trained and experienced employees:** Recruiting people already familiar with similar work can reduce the need to develop every skill from the beginning. Their experience can help the organisation introduce new techniques and fill positions for which an internal promotion would require substantial preparation.

These advantages explain why external recruitment may be preferred in the circumstances described. Its suitability still depends on the vacancy: recruitment and selection take time and cost money, and new employees need induction.

Step 3: Conclusion External recruitment offers a wider selection, qualified personnel, fresh ideas, greater competitive effort, additional manpower for expansion and access to trained experience. These benefits make it preferable where the necessary people or skills cannot be supplied adequately from within.

Quick Tip to Solve: Keep the six reasons distinct: applicant pool, qualifications, ideas, employee competition, extra manpower and prior work experience.

OR

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

Solution:

Concept:

- Staffing is the managerial function of obtaining, developing and retaining suitable people for the positions created by the organisation structure.
- Human resources operate all other resources. Staffing therefore concerns every organisation and every manager who has subordinates, regardless of the size or nature of its activities.

Step 1: Explain how staffing secures and uses suitable people

- **Obtaining competent personnel:** Manpower planning, recruitment and selection help the organisation locate and appoint people with the abilities required for its jobs. Competent employees can carry out assigned duties effectively, making achievement of organisational objectives more likely.
- **Improving performance through a proper job fit:** Staffing places the right person in the right job. Matching a person's qualifications, experience and aptitude with the work reduces errors and enables employees to contribute their abilities where they are most useful.
- **Optimum utilisation of human resources:** Assessment of personnel requirements helps avoid

both overstaffing and understaffing. Appropriate placement and allocation of work prevent waste of employee effort and ensure that available human talent is used productively.

Step 2: Explain how staffing supports people and continuity

- **Continuous growth and survival:** Training and development improve present skills and prepare employees for greater responsibilities. Developing future managers and successors helps the organisation continue its operations and expand even when existing position-holders leave.
- **Higher morale and job satisfaction:** Fair appraisal, suitable remuneration and opportunities for promotion make employees feel that their performance is recognised. Such practices increase satisfaction and encourage willing cooperation in organisational work.
- **Better adaptation to change:** Employees need new knowledge and skills when technology, methods or business conditions change. Staffing identifies these needs and provides development, so that the organisation has personnel capable of handling changing work requirements.

Step 3: Conclusion Staffing is important because it secures competent employees, matches people with jobs, uses human resources efficiently, prepares successors, improves morale and equips employees to meet change. It makes the organisation's plans workable through capable and motivated people.

Quick Tip to Solve: Organise the six reasons around hiring, placement, utilisation, development, morale and change; explain the organisational benefit of each rather than merely listing staffing activities.

24(a). Explain any six qualities of a successful salesman. [6 marks]

Solution:

Concept:

- Personal selling is direct personal communication with prospective buyers to explain an offering, answer objections and persuade them to purchase it.
- A successful salesman combines suitable physical and mental attributes with knowledge, integrity and the ability to understand and communicate with customers. These qualities help create lasting customer relationships.

Step 1: Explain the qualities that create confidence and trust

- **Good personality and physical fitness:** A neat appearance, pleasing manner and good health help a salesman make a favourable first impression. Fitness also enables him to undertake visits and maintain energy during repeated dealings with customers; expensive clothes or physical beauty are not essential.
- **Self-confidence:** He should approach customers with confidence in himself and in the genuine merits of his product. Confidence enables him to demonstrate the product and handle questions without hesitation, while avoiding arrogance or pressure on the buyer.
- **Honesty and integrity:** He should give truthful information about quality, price, uses and limitations and make only promises the business can fulfil. Honest dealings build trust, encourage repeat purchases and protect the firm's reputation after the immediate sale.

Step 2: Explain the qualities needed to understand and persuade buyers

- **Knowledge of the product and business:** A salesman should know the product's features, uses, price, maintenance and terms of sale, as well as relevant competing offerings. Accurate knowledge lets him explain suitable benefits and answer objections convincingly instead of making unsupported claims.
- **Communication and listening ability:** He should express ideas clearly and courteously in language the customer understands. Careful listening reveals the customer's needs and doubts, allowing him to present relevant information rather than deliver the same speech to every buyer.
- **Tact and patience:** He should deal politely with different temperaments, objections and refusals without losing his temper. A tactful, patient response helps maintain goodwill and gives the buyer time to decide; persistence should remain courteous rather than become irritating pressure.

Step 3: Conclusion Six useful qualities of a successful salesman are a pleasing personality and fitness, self-confidence, honesty, product knowledge, communication and listening ability, and tact with patience. Together they enable him to advise and persuade buyers while building durable goodwill.

Quick Tip to Solve: For each quality, add how it helps the customer or the sale. Keep knowledge, communication and honesty distinct instead of repeating that every quality merely increases sales.

OR

24(b). You are the advertising manager of a business unit providing catering services for supplying food and snacks at the doorsteps of consumers in a metropolitan area. Which media of advertisement would you choose to advertise your product ? Give any five reasons in support of your answer.

[6 marks]

Solution:

Concept:

- Advertising is a paid, impersonal presentation of goods or services by an identified sponsor. The medium must reach the intended customers economically.
- A doorstep catering service has a geographically limited market. A local newspaper, particularly its city or neighbourhood edition, can reach households within the actual delivery area.

Step 1: Select a suitable advertising medium The case states that the unit is "supplying food and snacks at the doorsteps of consumers in a metropolitan area". This identifies households within a specific city as the target market. I would therefore advertise the catering service in a widely read local newspaper or the metropolitan newspaper's local edition. The advertisement should state the food and snacks available, prices, delivery localities, order timings and telephone number. The choice fits a service sold directly to households within a particular metropolitan area.

Step 2: Explain the reach and cost advantages **1. Local coverage:** A city or locality edition reaches consumers near the catering unit. Advertising can therefore concentrate on the neighbourhoods served instead of paying to reach people to whom delivery is unavailable.

2. Wide household readership: Newspapers are read regularly by a large number of urban households. A single copy may be read by several family members, including those who decide what food to order, increasing exposure among potential customers.

3. Economy: The unit can buy a small advertisement in the relevant edition and adjust its size and frequency to its budget. Compared with a large television campaign, this makes a local campaign more affordable and limits expenditure on audiences outside the service area.

Step 3: Explain the information and flexibility advantages **4. Detailed, retainable information:** Print can communicate the menu, rates, delivery conditions and contact details together. Readers can study these details at their convenience, retain or cut out the advertisement and refer to the telephone number when placing an order.

5. Flexibility and timeliness: Newspaper advertisements can be inserted or revised with relatively short notice. The caterer can announce a changed menu, weekend snacks or a festival offer close to the relevant date and repeat the advertisement to remind customers. This is useful where demand and food offerings change frequently.

Step 4: Conclusion A local newspaper advertisement is a suitable choice because it combines geographical targeting, household reach, economy, detailed information and timely changes. These advantages connect the service with consumers who can actually place and receive doorstep orders.

Quick Tip to Solve: Match the medium to the delivery area first, then justify it through reach, cost, information and flexibility rather than merely naming popular media.

25(a). Explain, in brief, any six ways and means of consumer protection followed in India. [6 marks]

Solution:

Concept:

- Consumer protection safeguards buyers against exploitation such as adulteration, misleading advertisements, defective goods, short weights and deficient services.
- Protection in India depends on joint action by business, consumers, voluntary bodies and the government. Preventive measures reduce exploitation, while redressal mechanisms provide relief after a grievance arises.

Step 1: Explain protection through responsible business conduct **1. Self-regulation by business:** Businesses can voluntarily adopt fair trade practices, supply goods of the promised quality, give accurate information and honour warranties. A grievance cell can handle complaints promptly. Such conduct protects consumers while building goodwill and long-term customer relationships, instead of waiting for legal action.

2. Business associations: Trade and industry associations can frame codes of conduct for their members concerning quality, truthful advertising and fair dealings. They can encourage compliance and discourage unfair practices. Collective standards supplement the efforts of individual firms and promote responsible behaviour within an industry.

Step 2: Explain protection through informed and organised consumers **3. Consumer awareness and education:** Consumers should learn their rights, responsibilities and available remedies. They should read labels, check quality and expiry information, insist on bills and complain when necessary. Awareness programmes make buyers less vulnerable to misleading claims and enable them to seek relief with supporting evidence.

4. Consumer organisations: Voluntary consumer associations educate buyers, publish information about products, test goods and expose unfair practices. They can advise aggrieved consumers, help prepare complaints and represent consumer interests. An organised voice strengthens buyers who might otherwise lack the knowledge or resources to challenge exploitation individually.

Step 3: Explain protection through public action and law **5. Government measures:** Government departments protect consumers through inspection, enforcement of quality and weights-and-measures standards, public information campaigns and action against adulteration or other prohibited practices. Administrative supervision helps prevent exploitation and ensures that businesses observe the safeguards laid down for consumers.

6. Legislative measures and redressal: Laws establish enforceable consumer safeguards. In the context of this paper, the Consumer Protection Act, 1986 provides a simple and comparatively inexpensive system of consumer dispute redressal through the District Forum, State Commission and National Commission. An aggrieved consumer can seek remedies such as removal of defects, replacement, refund or compensation, as appropriate. Other laws concerning food adulteration, essential commodities and weights and measures also support consumer protection.

Step 4: Conclusion The six means are self-regulation by business, business associations, consumer education and awareness, consumer organisations, government measures, and legal safeguards with redressal. Together they combine prevention of unfair practices with remedies when consumer rights are violated.

Quick Tip to Solve: Organise the answer by who acts: firms, associations, informed buyers, consumer groups and government, then explain the legal remedy separately.

OR

25(b). Explain, in brief, any six functions of consumer organisations in the area of consumer protection.

[6 marks]

Solution:

Concept:

- Consumer organisations are voluntary bodies that protect and promote consumers' interests by making them aware of their rights and by helping them resist exploitation.
- Their work combines education and reliable product information with practical assistance in complaints and representation before public authorities.

Step 1: Explain their educational and information functions

- **Educating consumers:** They organise seminars, workshops and training programmes to explain consumer rights, responsibilities and available remedies. An informed consumer is better able to recognise misleading claims and make a careful purchase.
- **Publishing information:** They bring out periodicals, reports and other publications on consumer problems, legal safeguards and matters of public interest. This spreads awareness beyond the people who can attend their programmes and helps buyers keep up with important developments.

- **Testing products:** They undertake comparative testing of consumer products, often through recognised laboratories, and publish the results. Information on quality, safety and performance helps consumers compare brands and choose suitable products instead of relying only on advertising.

Step 2: Explain their protective and representative functions

- **Encouraging protest against exploitation:** They encourage consumers to take action against unfair trade practices, such as adulteration, false claims and overcharging. Collective action gives individual buyers greater confidence to report such practices rather than accept them silently.
- **Providing legal assistance:** They guide aggrieved consumers in preparing complaints and obtaining legal advice or assistance to seek redress. They help consumers understand the procedure and present supporting documents, making the remedy more accessible.
- **Filing complaints and representing consumer interests:** They may file complaints before the appropriate consumer redressal body on behalf of consumers and take matters of common consumer interest to government agencies. Such representation seeks relief against exploitation and brings wider consumer concerns to the attention of the authorities.

Step 3: Conclusion Thus, consumer organisations protect consumers through education, publications, product testing, encouragement of action against exploitation, legal assistance and the filing or representation of complaints. Together, these functions help consumers make informed choices and obtain redress when their rights are violated.

Quick Tip to Solve: Recall three information functions and three action functions: educate, publish and test; then encourage protest, provide legal help and file complaints. Briefly explain how each protects a consumer.