# CBSE Class 12 Business Studies Question Paper 2005 with Solution PDF-Set 66/2/3

## Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

### General Instructions

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

**1. What is meant by the 'production concept of marketing' ?** [2 marks]

**Solution:**

**Concept:**

- The production concept is a marketing philosophy based on customers favouring products that are widely available and affordable.
- Its managerial emphasis is on efficient production and distribution, so that output increases and the cost per unit falls.

**Step 1:** State the underlying belief The production concept assumes that buyers prefer products which are easily available at a low price. Therefore, a firm following this philosophy believes that its main task is to make more units and offer them at an affordable price.

**Step 2:** Explain the managerial focus Management concentrates on achieving high production efficiency and wide distribution. Large-scale production can reduce the cost per unit, while an extensive distribution network makes the product readily accessible. The emphasis is thus on availability and low cost, rather than primarily on special product features or aggressive selling.

**Step 3:** Conclusion The production concept means managing marketing on the belief that customers favour affordable, readily available products; hence the firm stresses efficient large-scale production and widespread distribution.

**Quick Tip to Solve:** Link the production concept with two ideas: low cost through efficient output, and easy availability through distribution.

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

**Solution:**

**Concept:**

- Marketing identifies customer needs and develops a suitable combination of product, price, promotion and distribution.
- Demand arises when a desire for a product is supported by willingness and ability to buy; marketing helps convert needs into such demand.

**Step 1:** Match the offering with customer needs Marketing studies the needs, preferences and purchasing power of customers and provides goods and services that satisfy them. Appropriate product features, quality and prices give customers a reason to choose the offering and make purchase feasible.

**Step 2:** Communicate value and facilitate purchase Advertising, personal selling and other promotional activities inform customers about the availability, uses and benefits of the offering and persuade them to buy. Convenient distribution makes it available at the required place and time. Together these activities stimulate interest and convert it into purchases, thereby creating demand for the particular products and services.

**Step 3:** Conclusion Marketing creates demand by offering products and services suited to customer needs, communicating their benefits and making them available at acceptable prices and convenient

places.

**Quick Tip to Solve:** For a demand-creation answer, connect satisfying a need with informing customers and enabling an actual purchase.

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

**Solution:**

**Concept:**

- The social environment is the set of social forces and conditions within which a business operates.
- It includes customs, traditions, values, beliefs, attitudes, lifestyles and the expectations of society, which influence business decisions.

**Step 1:** Define the social environment The social environment of business means the social conditions and forces surrounding an enterprise that affect its functioning. These forces arise from the society in which the enterprise sells its products, employs people and conducts its activities.

**Step 2:** Identify its main elements It includes the customs and traditions followed by people, their values and beliefs, social attitudes, lifestyles and expectations. For example, greater concern for health may increase demand for nutritious food. A business must understand such social preferences and changes to keep its products, employment practices and conduct acceptable to society.

**Step 3:** Conclusion The social environment comprises the customs, traditions, values, beliefs, attitudes and lifestyles of society that influence the operations and decisions of a business.

**Quick Tip to Solve:** Remember social environment through how people live, what they value and what they expect from businesses.

**4. Enumerate any two features of directing.** [2 marks]

**Solution:**

**Concept:**

- Directing is the managerial function of guiding, supervising, motivating and leading employees to achieve organisational objectives.
- Two features are that directing initiates action and that it is a continuous process.

**Step 1:** State that directing initiates action **Initiates action:** Directing sets employees to work by issuing instructions, guiding them and motivating them to perform assigned tasks. Planning and organising prepare the framework, while directing turns those preparations into actual performance.

**Step 2:** State that directing is continuous **Continuous process:** Directing continues throughout the life of an organisation. Managers must keep guiding, supervising and motivating employees as tasks are performed and circumstances change; it is not completed merely by giving the first instruction.

**Step 3:** Conclusion Two features of directing are that it initiates action and that it is a continuous managerial process.

**Quick Tip to Solve:** Use feature headings first, then one sentence explaining each; do not substitute the elements of directing for its features.

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

**Solution:**

**Concept:**

- Middle-level management links top management with supervisory management and translates broad plans into departmental action.
- Its functions include interpreting top-level policies and assigning duties and responsibilities to departmental personnel.

**Step 1:** Interpret the policies of top management **Interpret policies and plans:** Middle-level managers explain the policies and overall plans laid down by top management to lower-level managers. They translate these broad directions into suitable departmental plans so that employees understand what must be done.

**Step 2:** Assign duties and responsibilities **Assign duties and responsibilities:** They allocate work to the personnel of their departments and specify the responsibility of each position. Such allocation makes clear who is to perform each task and helps the department carry out the plans approved by top management.

**Step 3:** Conclusion Two functions of middle-level management are interpreting top-management policies for lower levels and assigning duties and responsibilities within their departments.

**Quick Tip to Solve:** Think of a departmental manager: explain the broad plan, then allocate the departmental work needed to implement it.

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

**Solution:**

**Concept:**

- Personal selling is oral, personal communication between a salesperson and prospective buyers for the purpose of making a sale.
- Its main features include personal interaction, the development of relationships and a quick response to the buyer.

**Step 1:** Explain the personal interaction **Personal form of communication:** Personal selling involves direct contact and a two-way conversation between the seller and a prospective customer. The salesperson can explain the product, demonstrate its use and answer doubts on the spot. The presentation can be changed according to the customer's needs, knowledge and reactions, rather than remaining a standard message for every buyer.

**Step 2:** Explain relationship development and response **Development of relationships:** Repeated personal contact allows the salesperson to understand the customer and build trust. Such a relationship can continue beyond the immediate sale and encourage repeat purchases.

**Quick response:** Personal selling permits immediate feedback. The buyer may ask a question, raise an objection or indicate interest, and the salesperson can respond at once. This helps clarify

misunderstandings and move the discussion towards a purchase decision.

**Step 3:** Conclusion Thus, personal interaction, development of relationships and quick response are three important features of personal selling.

**Quick Tip to Solve:** Describe features as characteristics of the selling process; connect each feature to what happens during the interaction with the buyer.

**7. "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 people so that they willingly work towards organisational objectives.
- Effective leadership improves the use of human effort by guiding employees, encouraging cooperation and maintaining their confidence.

**Step 1:** State agreement and explain guidance Yes, I agree that efficiency and productivity depend upon the quality of leadership.

**Guidance towards common goals:** A good leader makes objectives clear and guides employees in performing their duties. Employees understand what is expected and how their individual work contributes to the organisation. Clear direction reduces confusion, duplication and wasted effort, enabling better results from the resources used.

**Step 2:** Explain motivation and cooperation **Motivation and confidence:** An effective leader recognises employee needs, appreciates good work and encourages employees to use their abilities. Willing and confident employees put greater effort into their jobs, which improves output and the quality of performance.

**Cooperation and conflict resolution:** A leader promotes teamwork and helps settle disagreements among employees. By maintaining sound working relationships and coordinating effort, the leader reduces disruption and enables employees to concentrate on their work. This supports both efficiency and productivity.

**Step 3:** Conclusion Good leadership therefore raises efficiency and productivity through clear guidance, motivated effort and cooperative working relationships.

**Quick Tip to Solve:** Support agreement with three distinct effects of leadership: direction, motivation and cooperation; explain how each improves work.

**8. 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:**

- A channel of distribution is the route through which a product moves from its producer to the final consumer.
- Company-related factors concern the producer's own resources, desired control and ability to perform distribution activities.

**Step 1:** Identify resources and control requirements **Financial strength:** A financially strong company can establish its own sales force, warehouses and retail outlets and may therefore use a shorter or direct channel. A company with limited funds may depend more on intermediaries to perform distribution functions.

**Degree of control desired:** If the company wants close control over pricing, product presentation, selling practices and customer service, it generally prefers a shorter channel. A longer channel involves more independent intermediaries and gives the producer less direct control over these activities.

**Step 2:** Identify the ability to serve the market **Services and distribution facilities offered by the company:** The company must consider whether it can itself provide storage, transport, sales promotion, credit and after-sales service. If it can perform these activities adequately, it may undertake more distribution work directly. If it cannot, it should select intermediaries capable of providing the required services. The choice should match the company's actual capacity rather than merely its wish to reach customers.

**Step 3:** Conclusion Three company-related factors are financial strength, the degree of control desired and the services or distribution facilities the company can provide.

**Quick Tip to Solve:** Keep the answer focused on the producer: its funds, its control preference and its distribution services are company-related factors.

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

**Solution:**

**Concept:**

- Motivation stimulates people to act in a desired manner by satisfying their needs and encouraging effort towards goals.
- Its importance lies in improving performance and creating a willing, stable workforce whose personal goals are linked with organisational goals.

**Step 1:** Explain performance and employee attitudes **Improves performance:** Employees may possess the ability to do a job but may not apply it fully without the willingness to work. Motivation encourages employees to use their skills and energy, helping the organisation obtain better performance from its human resources.

**Develops positive attitudes:** Suitable incentives, recognition and opportunities to grow help employ-

ees feel that their contribution is valued. Dissatisfaction and indifference can give way to a positive attitude towards the job and the organisation, increasing cooperation and commitment.

**Step 2:** Explain the stability of the workforce **Reduces employee turnover:** When employees find that the organisation helps satisfy their needs, they are less inclined to leave it. Retaining experienced employees reduces repeated recruitment and training and preserves continuity of work. For example, fair rewards and opportunities for advancement can strengthen an employee's desire to remain with the organisation. Motivation therefore supports a more stable workforce as well as better day-to-day effort.

**Step 3:** Conclusion Motivation is important because it improves employee performance, develops positive attitudes and reduces employee turnover.

**Quick Tip to Solve:** For each reason, show the link from a satisfied need to an employee response and then to an organisational benefit.

**10. 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**

**(iii) Division of work** [3 marks]

**Solution:**

**Concept:**

- Fayol's principles guide managerial decisions and improve organisational efficiency when applied suitably to the situation.
- Scalar chain clarifies authority and communication, equity promotes fair treatment, and division of work develops specialisation.

**Step 1:** Explain the benefit of scalar chain **(i) Scalar chain:** A clear line of authority from the highest to the lowest rank establishes who reports to whom. Employees know the proper channel for instructions and communication, so responsibility is clear and confusion is reduced. Orderly communication helps coordinate the work of different levels. In an emergency, an authorised gang plank can permit direct communication between employees at the same level and prevent unnecessary delay.

**Step 2:** Explain the benefit of equity **(ii) Equity:** Managers combine kindness with justice and treat employees fairly without discrimination on grounds such as religion, language or personal connections. Fair treatment builds confidence in management and a sense of belonging. Employees become more loyal and willing to cooperate, which improves morale and encourages sincere performance of duties.

**Step 3:** Explain the benefit of division of work **(iii) Division of work:** Work is divided into specialised tasks and assigned according to employees' abilities. Repeated performance of a particular task develops skill and expertise, while avoiding the loss of time involved in frequently changing jobs. Specialisation therefore improves the quality and quantity of output with the same effort and raises efficiency.

**Step 4:** Conclusion Scalar chain produces orderly authority and communication; equity strengthens loyalty and cooperation; division of work increases specialisation, productivity and efficiency.

**Quick Tip to Solve:** For a positive-effect question, link each principle to its result: clear communication, fair treatment and specialised performance respectively.

**11. Distinguish between Capital market and Money market on the basis of**

**(i) Liquidity,**

**(ii) Expected Return,**

**(iii) Duration, and**

**(iv) Instruments traded.** [4 marks]

**Solution:**

**Concept:**

- Financial markets connect suppliers of funds with those who need finance. Their classification depends chiefly on the maturity of the funds and securities involved.
- The money market deals in short-term funds, normally for periods up to one year; the capital market provides medium-term and long-term finance, including ownership capital.

**Step 1:** Identify the markets being compared The comparison concerns the characteristics of securities traded in the two markets. Money-market instruments chiefly meet temporary liquidity and working-capital needs. Capital-market instruments finance longer-term investment and include both debt and equity. Their differences on the four specified bases are shown below.

**Step 2:** Compare the four specified bases

| Basis | Capital market | Money market |
|---|---|---|
| Liquidity | Securities are marketable, particularly through stock exchanges, but are generally less liquid than money-market instruments. Saleability depends on the security and market conditions. | Instruments are highly liquid because of their short maturity; many can readily be sold or discounted to obtain cash. |
| Expected return | Expected returns are generally higher because funds are committed for longer periods and investment risks are greater. Returns are not guaranteed merely because they are expected to be higher. | Expected returns are generally lower, reflecting shorter maturities and the relatively low risk of these instruments. |
| Duration | Deals in medium-term and long-term funds, generally for more than one year. Equity shares have no fixed maturity. | Deals in short-term funds for periods up to one year. |
| Instruments traded | Equity shares, preference shares, debentures and bonds. | Treasury bills, commercial paper, call money, certificates of deposit and commercial bills. |

**Step 3:** Conclusion The capital market offers longer-term investment instruments with generally higher expected returns and relatively lower liquidity. The money market offers short-term, highly

liquid instruments with generally lower expected returns.

**Quick Tip to Solve:** Use the one-year maturity boundary first, then remember that short maturity usually means greater liquidity and lower expected return.

**12. "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 regulator of the securities market. It protects investors and promotes the development and orderly regulation of that market.
- Its regulatory authority is reflected in its power to register intermediaries, prescribe rules for market participants, inspect their activities and check unfair trading practices.

**Step 1:** State agreement with the statement Yes, I agree. The securities market brings together companies seeking funds and investors buying securities. Because investors need fair dealing and reliable information, this market requires an authority that supervises its participants. SEBI performs this role through the following functions.

**Step 2:** Explain four functions supporting SEBI's regulatory role

- **Regulating stock exchanges:** SEBI regulates the business of stock exchanges and other securities markets. It lays down rules and a code of conduct so that trading takes place in an orderly and transparent manner.
- **Registering and regulating intermediaries:** It registers and supervises stockbrokers, sub-brokers, merchant bankers and other intermediaries associated with the securities market. This makes their dealings subject to prescribed standards and accountability.
- **Preventing unfair trade practices:** It prohibits fraudulent dealings, price manipulation and insider trading. These checks protect investors against misuse of privileged information and artificial movements in security prices.
- **Inspecting and enquiring into market activities:** It calls for information and conducts inspections, enquiries and audits of stock exchanges and intermediaries. Such supervision helps detect violations and enforce the rules governing the market.

**Step 3:** Conclusion SEBI is correctly described as the regulatory authority of the securities market: it sets standards, supervises participants and acts against violations to maintain a fair and orderly market.

**Quick Tip to Solve:** Support SEBI's regulatory status with concrete powers: regulating exchanges, registering intermediaries, preventing unfair trading and inspecting market activities.

**13. 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 work, assigning duties and establishing authority relationships so that people work together to achieve organisational objectives.
- The organising process converts a plan into a workable structure. It clarifies both the division of activities and the relationships through which those activities are coordinated.

**Step 1:** Define organising Organising is the process of identifying and dividing the work to be performed, grouping related activities, assigning duties to suitable people and establishing reporting relationships among them to achieve common objectives. It specifies what is to be done, who will do it and who will report to whom. Thus, plans are translated into an arrangement of tasks and authority.

**Step 2:** Enumerate the steps in the organising process

- **Identification and division of work:** Identify the activities needed to achieve the planned objectives and divide the total work into manageable tasks. This avoids omission and duplication of work and permits specialisation.
- **Departmentalisation:** Group similar or related tasks into departments or units. For example, purchasing, production and selling activities may be grouped separately so that related work can be coordinated effectively.
- **Assignment of duties:** Allocate the duties of each department to suitable individuals according to their abilities and competence. Each person must know the tasks and responsibilities entrusted to them.
- **Establishment of reporting relationships:** Specify who is accountable to whom and the authority needed to perform assigned duties. Clear superior-subordinate relationships connect the departments, facilitate communication and coordinate individual efforts.

**Step 3:** Conclusion Organising creates a structure for carrying out plans through identification and division of work, departmentalisation, assignment of duties and establishment of reporting relationships, in that sequence.

**Quick Tip to Solve:** Recall the sequence as work, groups, people and relationships: first divide tasks, then group them, assign them and clarify reporting authority.

**14. 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 for which a worker works, such as hours or days, rather than the number of units produced.

- Under the piece-rate system, earnings depend on output. From the workers' standpoint, time-rate payment offers security and avoids excessive pressure to increase production.

**Step 1:** Choose the time-rate method As the workers' representative, I would prefer the **time-rate system** for my colleagues. A worker receives the agreed wage for the time worked. This preference can be supported by the following four reasons.

**Step 2:** Explain the protection given to workers

- **Certainty of earnings:** Workers know the income they will receive for the normal working period. They can plan household expenditure with greater confidence because wages do not fluctuate directly with the number of pieces produced.
- **Protection against circumstances beyond their control:** Output can be low because of machine breakdowns, interruptions in power or delays in receiving materials. Workers paid for their time are not made to bear the direct loss of earnings caused by such interruptions while they remain at work.
- **Less strain and overwork:** Workers need not continually increase their speed merely to maintain or raise their earnings. This reduces the temptation to work beyond a safe pace and helps protect their health and safety.
- **Better quality and cooperation:** Workers can give attention to careful workmanship instead of rushing to produce more pieces. Since earnings do not depend on each person's piece count, unhealthy rivalry is reduced and colleagues can assist one another.

**Step 3:** Conclusion I would therefore recommend time-rate wages because they provide predictable earnings, protect workers from output interruptions, reduce excessive physical pressure, and encourage careful, cooperative work.

**Quick Tip to Solve:** Answer from the standpoint named in the question: a workers' representative should connect each reason to workers' security, welfare or working conditions.

**15. 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:**

- Scientific management replaces casual methods with systematic study to discover efficient ways of performing work.
- Taylor separates the responsibility for scientifically planning a job from the responsibility for executing it, while requiring cooperation between management and workers.

**Step 1:** Explain separation of planning and operational work **(i) Separation of planning and operational work:** Planning should be undertaken by management and its specialists, while workers should concentrate on carrying out the planned operations. The same worker should not be left to decide the method, arrange the resources and execute the job solely on personal judgement.

The planning department studies the job in advance and determines the appropriate method, sequence, tools, working conditions and standard time. It gives clear instructions to the workers. The operational side then performs the task according to these instructions, with suitable supervision. This division uses specialised knowledge for planning and enables workers to focus on effective execution. It does not remove the need for cooperation: the plan must be communicated and followed in actual production.

**Step 2:** Explain science rather than the rule of thumb **(ii) Science, not the rule of thumb:** Every element of a job should be studied scientifically instead of relying on rough estimates, tradition or the personal experience of an individual worker. Different possible ways of doing the task should be observed, tested and compared to identify the most efficient method under the given conditions.

For example, management can compare alternative movements, tools and sequences of operations to eliminate wasted effort. The scientifically selected method is then standardised and workers are trained to use it. Thus, decisions about how work is to be performed rest on systematic investigation and evidence. The aim is higher efficiency and productivity through an appropriate method, rather than merely asking workers to work faster using old practices.

**Step 3:** Conclusion Taylor assigns scientific preparation of the job to the planning specialists and its execution to workers. He also requires work methods to be based on systematic study rather than customary, approximate rules.

**Quick Tip to Solve:** Keep the distinction clear: separation concerns who plans and who executes; science over rule of thumb concerns how the method of work is selected.

**16. Explain briefly any five factors which affect the requirement of fixed capital of an enterprise.**

[5 marks]

**Solution:**

**Concept:**

- Fixed capital is the money invested in long-term assets such as land, buildings, plant and machinery. These assets support business operations over several accounting periods.
- Fixed-capital requirements depend on the kind and scale of operations and the technology used. The following five factors explain why different enterprises need different amounts of long-term investment.

**Step 1:** Examine the enterprise's operations

- **Nature of business:** A manufacturing enterprise normally needs substantial investment in factories, machinery and equipment. A trading concern mainly buys and sells finished goods and generally needs less fixed capital, since it does not establish production facilities.
- **Scale of operations:** A large enterprise requires larger premises, more machines and greater installed capacity than a small enterprise. Therefore, other things being equal, expansion in the scale of business raises its fixed-capital requirement.

**Step 2:** Assess technology and future requirements

- **Choice of technique:** A capital-intensive enterprise uses more machinery and automated equip-

ment, so its fixed-capital requirement is higher. A labour-intensive enterprise relies more on workers and generally needs a smaller investment in machinery.

- **Technology upgradation:** Where technology changes rapidly, equipment becomes obsolete sooner. The enterprise must provide funds to replace or upgrade such equipment regularly; consequently, its requirement for investment in fixed assets is higher than in a business using stable technology.
- **Growth prospects:** An enterprise expecting rapid growth must create additional production and distribution capacity. Investment in larger premises or extra machinery, sometimes in anticipation of future demand, increases its fixed-capital requirement.

**Step 3:** Conclusion The five factors are nature of business, scale of operations, choice of technique, technology upgradation and growth prospects. Together they determine the type, quantity and replacement needs of the long-term assets in which the enterprise must invest.

**Quick Tip to Solve:** For each fixed-capital factor, connect it explicitly to investment in long-term assets; do not substitute day-to-day expenses such as wages or inventories.

**17. 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 excessive in relation to its earning capacity: its earnings cannot provide a fair return on the capital employed. It does not simply mean that the company holds surplus cash.
- Persistent inadequate earnings affect the company's dividends, market standing and ability to finance operations. The finance manager can explain the following five adverse effects to the directors.

**Step 1:** Explain the effect on returns and market standing

- **Low rate of dividend:** Earnings are spread over an excessive amount of capital. After meeting fixed financial charges, the company has insufficient profits to maintain a satisfactory dividend rate. This disappoints investors and makes the company's securities less attractive.
- **Fall in the market value of shares:** A persistently low dividend and poor earning prospects reduce demand for the company's shares. Their market value falls, weakening the company's standing in the capital market.
- **Loss of creditworthiness:** Inadequate earnings create doubts about the company's ability to meet interest and other commitments. Banks, suppliers and other lenders become reluctant to extend credit or insist on more onerous terms, making finance harder to obtain.

**Step 2:** Explain the effect on finance and operating efficiency

- **Difficulty in raising fresh capital:** Investors hesitate to subscribe to new securities of a company whose existing capital earns an unsatisfactory return. Raising additional share capital becomes difficult, and any funds obtained may involve unfavourable terms, restricting expansion and

rehabilitation.

- **Inadequate provision for maintenance and replacement:** Pressure to show profits or maintain dividends may induce the company to retain too little for depreciation, repairs and reserves. Assets then deteriorate or remain obsolete, reducing operating efficiency and further weakening future earnings.

**Step 3:** Conclusion The directors should recognise that over-capitalisation can cause low dividends, declining share values, loss of creditworthiness, difficulty in obtaining fresh capital and inadequate maintenance or replacement of assets. These connected effects threaten the company's financial strength and future operating efficiency.

**Quick Tip to Solve:** Keep the answer focused on effects on the company: connect weak earning capacity to dividends, share values, credit, fresh finance and upkeep of assets.

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

**Solution:**

**Concept:**

- Liberalisation reduces government restrictions on business, while globalisation integrates the Indian economy with the world economy through trade, investment and technology.
- These reforms create opportunities, but also expose domestic enterprises to competitive pressures and adjustment costs. Their negative impacts concern the difficulties faced by Indian business and industry.

**Step 1:** Explain the pressure of competition and technological change

- **Intensified competition:** Reduction of import restrictions and entry of foreign companies increase competition in the Indian market. Domestic firms have to compete with large multinational enterprises possessing strong brands, substantial finance and efficient production systems. Firms unable to match their price and quality may lose sales and market share.
- **Rapid technological obsolescence:** Exposure to international producers makes frequent technological improvement necessary. Indian enterprises must spend on modern machinery, research and training to remain competitive. Existing equipment can become obsolete before its cost has been recovered, placing a particularly heavy burden on firms with limited resources.

**Step 2:** Explain the effects on customers, small firms and employment

- **More demanding customers:** Wider availability of domestic and imported products gives buyers greater choice and information. They demand better quality, reasonable prices and reliable after-sales service. Producers can no longer depend on a protected market; those unable to improve their products and service face falling demand.
- **Threat to small and inefficient units:** Small-scale and weaker enterprises may lack the finance, economies of scale, distribution networks and advertising strength of large domestic and foreign competitors. Loss of protection can make their survival difficult, leading to closures or displacement by stronger firms.

- **Employment insecurity during restructuring:** Competitive pressure encourages cost reduction, automation and the restructuring of inefficient operations. Closure of uncompetitive units or reduction of surplus labour can cause retrenchment and insecurity among employees. Workers whose skills no longer suit modern production may find adjustment especially difficult.

**Step 3:** Conclusion Five negative impacts are intensified competition, rapid technological obsolescence, pressure from more demanding customers, difficulties for small and inefficient units, and employment insecurity during restructuring. They are adjustment pressures on Indian business and industry, even though the reforms can also offer opportunities.

**Quick Tip to Solve:** Link each adverse impact to its cause: freer entry creates competition, global technology demands investment, and competitive restructuring puts weaker firms and jobs under pressure.

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

**Solution:**

**Concept:**

- Controlling is the managerial function of comparing actual performance with predetermined standards, analysing deviations and taking corrective action so that organisational objectives are achieved.
- Sales standards provide measurable targets, while a control system supplies timely information about performance throughout a complex organisation.

**Step 1:** Explain how controlling monitors sales

- **Set sales standards:** Management establishes sales targets for a period, expressed in quantity or value, and may divide them by product, territory, branch or salesperson. These standards provide a definite basis for judging performance.
- **Measure and compare actual sales:** Sales reports and records show actual achievement. Management compares the results with the targets to identify shortfalls or unusually high performance. Separate comparisons reveal where the deviation has occurred instead of hiding weak areas within an overall total.
- **Investigate and correct deviations:** A sales shortfall may arise from inadequate selling effort, poor distribution, shortage of stock or a change in customer demand. Management identifies the cause and takes appropriate action, such as training sales staff, improving supplies or revising the marketing approach. Thus controlling converts sales information into corrective action.

**Step 2:** Explain how controlling handles organisational complexity

- **Make dispersed activities visible:** As an organisation grows, its products, departments, employees and locations multiply. Managers cannot personally observe every activity. A system of standards, reports and feedback provides information about the performance of these different units and makes supervision manageable.
- **Locate responsibility and coordinate correction:** Departmental standards and responsibility centres help identify the area responsible for a deviation. Management can concentrate on

significant departures, coordinate corrective action across departments and check whether the action works. For example, a sales shortfall caused by delayed production requires coordination between the production and sales departments. This keeps many interdependent activities directed towards common objectives.

**Step 3:** Conclusion Controlling monitors sales by setting targets, measuring actual sales, comparing results and correcting deviations. It also helps managers cope with organisational complexity by providing systematic information, locating responsibility and coordinating action across different units. The statement therefore describes two practical contributions of controlling to the achievement of organisational goals.

**Quick Tip to Solve:** Explain both halves of the statement: apply the control cycle to sales, then show how reports and responsibility centres make a large organisation manageable.

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

**Solution:**

**Concept:**

- An art is the skilful and personal application of existing knowledge to achieve desired results. It involves knowing how to use principles in a practical situation.
- Management is an art because a manager applies knowledge, personal judgement and experience to coordinate people and resources and accomplish organisational objectives.

**Step 1:** Agree with the statement and explain its knowledge base Yes, management is regarded as an art. Its characteristics correspond to the essential features of an art:

- **Existence of theoretical knowledge:** Every art rests on knowledge of its subject. Management has an organised body of concepts and principles relating to planning, organising, staffing, directing and controlling. A manager studies these principles before applying them to business problems, just as an artist learns the basic principles of an art.
- **Personalised application:** Possessing knowledge alone does not make a person an effective manager. Each manager uses it in an individual manner, depending on ability, judgement and the circumstances. Two managers may apply the same principle of motivation differently because the employees and situations they face are different.

**Step 2:** Explain the practical skill used to obtain results

- **Practice and experience:** Managerial skill improves through repeated application. By handling actual problems, reviewing decisions and learning from mistakes, a manager becomes more proficient in dealing with people and changing conditions.
- **Creativity:** Management requires the imaginative combination of human and material resources. A manager must adapt general principles to a particular problem and devise a suitable course of action; merely following a mechanical rule is often inadequate.
- **Result-oriented application:** An art is used to accomplish a definite purpose. Managers employ their knowledge and skills to achieve objectives such as effective production, employee cooperation and customer satisfaction. Success depends on how effectively their ideas are translated into

action.

**Step 3:** Conclusion Management is an art because it requires the personal, creative and practised application of knowledge to achieve specific organisational results. Understanding principles supplies the foundation, while skilful application makes the manager effective.

**Quick Tip to Solve:** Link each feature of art to managerial work: knowledge, personal application, practice, creativity and achievement of results.

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

**Solution:**

**Concept:**

- Recruitment means searching for prospective employees and encouraging them to apply for jobs. External recruitment brings applicants from outside the existing workforce.
- External sources include direct recruitment, advertisements, employment exchanges, placement agencies and educational institutions. Their chief advantage is access to a wider and more varied supply of talent than internal transfers and promotions alone provide.

**Step 1:** Explain the advantages in finding suitable talent External sources of recruitment can be better than internal sources for the following reasons:

- **Wider choice:** The organisation can consider candidates from a large labour market instead of restricting itself to existing employees. It can compare a greater variety of qualifications and experience and select the person best suited to the vacancy.
- **Qualified personnel:** Advertisements and other external channels can attract people with the education, professional qualifications and technical knowledge required for a job. The firm need not depend on whether a suitable person happens to be available within its own staff.
- **Fresh talent and ideas:** New employees bring different experiences, viewpoints and methods of working. These can encourage innovation and help the organisation overcome limitations arising from reliance on familiar internal practices.

**Step 2:** Explain the advantages for capacity, cost and employee effort

- **Availability of experienced and trained persons:** A firm can recruit people already trained in the required work or experienced in a similar job. Although induction into the new organisation is still necessary, the need for basic job training can be reduced compared with promoting an employee who lacks that specialist skill.
- **Suitable for expansion and new activities:** Internal transfers merely move existing employees and do not increase the total workforce. External recruitment supplies additional people for growth and can bring specialist skills needed for a new product, technology or line of business.
- **Competitive spirit:** The possibility of capable outsiders entering the organisation can encourage existing employees to improve their knowledge and performance. They are less likely to take advancement for granted and may work harder to demonstrate their suitability for responsible positions.

**Step 3:** Conclusion External recruitment offers wider choice, qualified personnel, fresh ideas, trained and experienced applicants, additional staff and skills for expansion, and a competitive stimulus to existing employees. These advantages make it useful where internal sources cannot adequately meet the organisation's staffing needs.

**Quick Tip to Solve:** Keep the six reasons distinct: choice, qualifications, ideas, prior training, expansion and competition. Explain how each benefits the employer.

OR

**21(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 filling and keeping filled the positions in the organisation structure through recruitment, selection, placement, training and development.
- Material and financial resources produce results only when competent and motivated people use them effectively. Staffing therefore remains necessary at every management level and in every organisation.

**Step 1:** Explain how staffing secures and uses competent employees **1. Obtaining competent personnel:** Staffing identifies the qualifications and abilities required for each position. Recruitment attracts suitable applicants and selection chooses those who can perform the work effectively. The organisation thus acquires the human resources needed to achieve its objectives.

**2. Better performance through proper placement:** By matching a person's qualifications, aptitude and experience with the requirements of the job, staffing puts the right person on the right job. Employees can use their strengths, make fewer mistakes and produce better work.

**3. Optimum utilisation of human resources:** Manpower planning estimates the number and types of employees required. It helps prevent both overstaffing, which adds avoidable cost, and understaffing, which overburdens employees and delays work. Available talent is deployed where it is needed.

**Step 2:** Explain how staffing sustains the organisation and its employees **4. Continuous survival and growth:** Training and development improve employees' knowledge and skills and prepare them for changing technology and greater responsibilities. Succession planning creates a pool of capable managers to fill future vacancies, supporting continuity and expansion.

**5. Higher job satisfaction and morale:** Fair selection, suitable placement, adequate remuneration and genuine opportunities for promotion make employees feel valued. Recognition of ability and a clear career path encourage commitment, cooperation and a willingness to perform well.

**6. Improved productivity and organisational performance:** A systematic staffing programme develops employee competence and evaluates performance so that weaknesses can be corrected. Skilled people use machines, money and materials more efficiently, reducing waste and improving the quality and quantity of output.

**Step 3:** Conclusion Staffing is important because it obtains competent people, places them suitably, uses human resources efficiently, develops future talent, raises morale and improves productivity. These benefits make it essential in all organisations, whatever their size or activity.

**Quick Tip to Solve:** Organise the six reasons around acquiring, placing, utilising, developing, motivating and improving the performance of people; explain the organisational benefit of each.

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

**Solution:**

**Concept:**

- Personal selling involves direct interaction between a salesperson and a prospective buyer to explain a product, answer questions and persuade the buyer to purchase it.
- A successful salesman combines personal qualities with product knowledge and communication skills. His aim is to satisfy the customer's genuine needs and build lasting business relations.

**Step 1:** Explain the personal qualities needed to gain customer confidence **1. Pleasing personality:** A salesman should be neat, presentable, courteous and well mannered. A pleasant appearance and respectful behaviour create a favourable first impression and make the customer willing to listen. Good health and stamina also help him remain energetic during demanding selling work.

**2. Honesty and integrity:** He should give accurate information about the product's quality, price, uses and limitations and honour commitments. Misleading claims may produce a single sale but destroy trust. Honest dealing encourages repeat purchases and protects the firm's reputation.

**3. Self-confidence:** He should have confidence in himself, his product and his organisation. This enables him to approach prospective customers, demonstrate the product and answer objections calmly. Confidence should be supported by knowledge and should never become arrogance or pressure on the customer.

**Step 2:** Explain the qualities needed to understand and persuade buyers **4. Product knowledge:** A successful salesman knows the product's features, benefits, price, method of use and after-sales service. He should also understand competing products so that he can explain relevant differences accurately. This allows him to recommend a product suited to the customer's requirements.

**5. Effective communication and listening:** He should explain benefits clearly in language the buyer understands and listen carefully to the buyer's needs, doubts and preferences. Two-way communication helps him answer the actual objection instead of merely repeating a prepared sales talk.

**6. Tact and patience:** Customers differ in temperament and may ask repeated questions, bargain or initially refuse to buy. The salesman should remain polite, understand the customer's viewpoint and respond without argument. Patient and tactful handling of objections preserves goodwill and can convert hesitation into a considered purchase.

**Step 3:** Conclusion A pleasing personality, honesty, self-confidence, product knowledge, effective communication and tactful patience help a salesman understand customers, earn their trust and secure sales through satisfaction rather than misleading persuasion.

**Quick Tip to Solve:** For each quality, state how it helps the selling interaction: attracting attention, earning trust, explaining benefits, answering objections or maintaining goodwill.

OR

**22(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 an impersonal, paid form of presenting and promoting goods or services by an identified sponsor. The medium should match the customers, geographical market, message and advertising budget.
- A doorstep catering business serves a defined metropolitan area. A local newspaper, particularly its city edition or neighbourhood supplement, can carry the menu, service area and ordering details to potential customers.

**Step 1:** Choose a local newspaper advertisement I would advertise in a widely circulated local newspaper's city edition or neighbourhood supplement. The advertisement would clearly state the food and snacks offered, delivery localities, prices or packages, ordering telephone number and service timings. Since the service operates within one metropolitan area, concentrating on a local readership makes the expenditure relevant to the business's delivery capacity.

**Step 2:** Explain the first three reasons for the choice

- **Local geographical coverage:** A city edition reaches people in the metropolitan area where the catering unit can actually supply food. The firm can select the edition or supplement covering its service localities instead of paying for nationwide exposure.
- **Wide reach among potential customers:** A popular local newspaper reaches many households and office readers. Both families needing meals and office employees seeking snacks or catering can encounter the message through an established daily reading habit.
- **Economy and budget control:** A small local display or classified advertisement can be purchased without the high production and telecast expenditure of television advertising. The manager can select the advertisement's size and frequency according to the available budget.

**Step 3:** Explain the remaining two reasons

- **Detailed and usable information:** Print provides space for menu items, rates, delivery conditions and contact details. Readers can examine these particulars at their own pace, retain or cut out the advertisement and use the telephone number when they wish to place an order.
- **Flexibility and timely repetition:** Newspaper advertisements can be inserted frequently and changed relatively quickly. The business can announce a new snack menu, festival package or revised service timing and repeat the message on days when demand is likely to be greater.

These advantages are particularly useful because catering orders depend on customers knowing both what is available and how to obtain it locally. The choice assumes a newspaper with substantial readership among the unit's intended customers.

**Step 4:** Conclusion A local newspaper's city edition or neighbourhood supplement is a suitable medium for the doorstep catering service. Its local coverage, broad readership, economy, scope for

detailed ordering information and flexibility provide five reasons supporting the choice.

**Quick Tip to Solve:** Match the medium to the service area first; then support the choice with reach, cost, message detail and flexibility, linking each advantage to the catering business.

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

**Solution:**

**Concept:**

- Consumer protection means safeguarding consumers against exploitation, including adulteration, unsafe products, misleading advertisements, unfair prices and deficient services.
- Protection in India involves preventive efforts by businesses and consumers as well as collective action and government enforcement. Different participants must cooperate to make consumer rights effective.

**Step 1:** Explain protection through business initiative

- **Self-regulation by business:** Responsible businesses voluntarily follow fair trading practices, supply safe and satisfactory products, disclose correct information and establish effective complaint-handling arrangements. By replacing defective goods or resolving genuine complaints promptly, they protect consumers and preserve their own goodwill without waiting for legal action.
- **Business associations:** Chambers of commerce and trade associations can frame codes of conduct for their members. They can encourage honest advertising, proper quality and ethical dealings, discourage unfair practices and help settle disputes. Collective standards make fair conduct an expectation across the trade rather than merely an individual firm's policy.

**Step 2:** Explain protection through consumer initiative

- **Consumer awareness and responsible action:** Informed consumers learn their rights and responsibilities, examine labels and quality marks, compare price and quality, obtain bills and retain purchase records. They resist misleading offers and raise genuine complaints instead of accepting exploitation silently. Education and publicity help consumers make these informed choices.
- **Consumer organisations:** Voluntary consumer associations educate buyers about their rights, publish information, test or compare products and expose malpractices. They also guide aggrieved consumers, assist with complaints and represent common consumer interests before businesses and public authorities. Collective action strengthens an individual buyer's bargaining position.

**Step 3:** Explain protection through public action

- **Government measures:** Government agencies promote consumer welfare through awareness programmes, quality standards, certification, inspection and enforcement. Measures such as checking weights and measures and taking action against adulteration or deceptive practices help prevent exploitation in the marketplace.
- **Consumer legislation and redressal:** Laws create enforceable obligations and remedies where voluntary efforts are inadequate. For this 2005 paper, the Consumer Protection Act, 1986 provides a consumer dispute-redressal machinery at district, state and national levels. An eligible consumer

can seek relief for defective goods, deficient services or unfair trade practices; appropriate orders may include replacement, refund or compensation. Other laws dealing with matters such as food adulteration and weights and measures also support protection.

**Step 4:** Conclusion Six ways and means are business self-regulation, action by business associations, consumer awareness, consumer organisations, government measures and consumer legislation with redressal machinery. Together they prevent unfair practices, improve informed choice and provide remedies when consumers suffer loss.

**Quick Tip to Solve:** Organise the six means under business, consumers and government, and explain what each participant actually does rather than merely listing their names.

OR

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

[6 marks]

**Solution:**

**Concept:**

- Consumer organisations are voluntary associations that protect and promote consumers' interests against exploitation by sellers and manufacturers.
- Their work combines consumer education, independent information, practical assistance and collective representation; it helps consumers exercise their rights effectively.

**Step 1:** Explain their educational and information functions **1. Educating consumers:** They organise talks, seminars, workshops and training programmes to make consumers aware of their rights and responsibilities. Consumers learn to check quality, prices, expiry dates and bills before purchasing, and to act when their rights are violated.

**2. Publishing useful information:** They publish periodicals, reports and other material on consumer problems, legal provisions and available remedies. Such information enables buyers to make informed choices and understand where and how to seek redress.

**3. Testing consumer products:** They arrange comparative testing of products, often through accredited laboratories, to assess quality, safety and performance. Publishing the results helps buyers compare products objectively and identify goods that do not meet the required standards.

**Step 2:** Explain their assistance and representation functions **4. Encouraging protest against unfair practices:** They encourage consumers to resist adulteration, misleading advertisements, hoarding and other exploitative practices. By drawing public attention to these practices and urging corrective action, they strengthen the consumer movement.

**5. Providing legal advice and assistance:** They advise aggrieved consumers on their available remedies and help them prepare complaints and supporting evidence. This assistance makes it easier for an individual buyer to pursue a genuine grievance rather than abandon it because the procedure seems difficult.

**6. Filing complaints and representing consumer interests:** They may file complaints before the appropriate consumer redressal agency on behalf of consumers or in the general public interest. Collective representation gives consumers an organised voice and helps secure relief against defective goods, deficient services and unfair trade practices.

**Step 3:** Conclusion Thus, consumer organisations protect buyers through education, publications, product testing, action against unfair practices, legal assistance and the filing of complaints. Together these functions help prevent exploitation and support effective redress when it occurs.

**Quick Tip to Solve:** Organise the six functions as information before purchase, resistance to exploitation and assistance in obtaining redress; explain what each function does for the consumer.

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**24(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:**

- A formal organisation is the structure of jobs, responsibilities and authority deliberately established by management to achieve organisational objectives.
- An informal organisation is the network of personal and social relationships that develops spontaneously among people at work. It exists alongside the formal structure.

**Step 1:** Distinguish their purpose, stability and rules The first three prescribed bases distinguish the designed work structure from the social network that develops within it.

| Basis | Formal organisation | Informal organisation |
|---|---|---|
| **Purpose** | Created deliberately to achieve the enterprise's stated objectives through coordinated work. | Develops spontaneously to satisfy members' social needs, such as friendship, belonging and mutual support. |
| **Stability** | Relatively stable: management defines the structure and authorises changes to it. | Relatively less stable: group patterns change with personal interests and interactions. |
| **Adherence to rules** | Members must follow prescribed rules, procedures and official responsibilities. | Conduct follows unwritten group norms and personal relationships rather than prescribed rules. |

**Step 2:** Distinguish tenure, authority and communication The remaining bases concern the duration of the relationships and the way influence and messages move between people.

| Basis | Formal organisation | Informal organisation |
|---|---|---|
| **Tenure** | Enduring: positions and their relationships continue while the structure exists, even when occupants change. | No formally fixed tenure: membership and relationships last according to personal association and group interests. |
| **Flow of authority** | Authority flows through the established hierarchy, normally from superior to subordinate, and is attached to the position held. | Influence arises from personal qualities and acceptance by the group; it need not follow official rank or flow only downwards. |
| **Communication** | Messages follow officially prescribed channels and reporting relationships; communication is systematic and accountable. | Messages pass through personal contacts and the grapevine, often rapidly and in any direction across official levels. |

**Step 3:** Conclusion Formal organisation provides the planned work structure; informal organisation provides the spontaneous social network. They differ on all six specified bases and normally coexist in an enterprise.

**Quick Tip to Solve:** Use the six bases in the question as row headings, and contrast the same feature in both columns; for tenure, compare continuity of the official structure with changing personal associations.

OR

**24(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 assignment of responsibility and the grant of necessary authority by a superior to a subordinate to perform specified work.
- A subordinate becomes accountable for the assigned task, while the superior remains accountable for its overall performance. Delegation therefore distributes work without removing the manager's ultimate accountability.

**Step 1:** Explain how delegation reduces the manager's workload

- **Distribution of routine work:** The manager identifies tasks that subordinates can perform and assigns them responsibility for those tasks. The manager need not personally carry out every routine operation.
- **Authority to act:** Along with the task, the subordinate receives the authority needed to take decisions and use resources within prescribed limits. Routine matters can consequently be settled at the subordinate's level instead of repeatedly being referred upward.
- **Time for important work:** The time released enables the manager to concentrate on planning, policy decisions, coordination and exceptional problems. The manager guides and checks performance rather than attempting to do everybody's work.

Thus, delegation makes effective management possible even when the volume and complexity of organisational work increase.

**Step 2:** Explain how delegation motivates subordinates

- **Recognition and confidence:** Entrusting meaningful work and decision-making authority shows that the superior trusts the subordinate's ability. This recognition raises confidence and willingness to contribute.
- **Sense of responsibility and achievement:** Authority gives the subordinate an opportunity to exercise initiative and take ownership of results. Successfully completing the assignment provides satisfaction and encourages better performance.
- **Development and advancement:** Taking decisions and solving problems develops managerial skills. Greater competence and opportunities for higher responsibilities improve morale and motivate the subordinate to perform well.

These benefits require responsibility to be matched by adequate authority, clear expectations and suitable guidance. Giving work without the power needed to do it is not effective delegation.

**Step 3:** Conclusion The statement is correct: delegation frees managers from suitable routine duties and gives subordinates trust, responsibility and scope for achievement. It improves managerial effectiveness and employee motivation while the superior retains ultimate accountability.

**Quick Tip to Solve:** Explain both halves separately: transferred work and authority save managerial time; trust, achievement and development motivate the subordinate.

**25(a). Explain in brief, the meaning of 'Planning' and any five characteristics of planning.** [6 marks]

**Solution:**

**Concept:**

- Planning means deciding in advance what is to be done and how it is to be done. It involves setting objectives and selecting the course of action through which those objectives will be achieved.
- Planning bridges the gap between the present position and the desired future position. It supplies a basis for coordinated action and for comparing actual results with intended results.

**Step 1:** State the meaning of planning Planning is the process of determining objectives for a specified period and deciding the activities and resources required to attain them. It answers questions such as what is to be done, how and when it will be done, and who will do it. Instead of leaving action to chance, management thinks ahead and chooses an appropriate course of action from available alternatives. For example, a business that fixes a sales target and decides the production, staffing and distribution arrangements needed to reach it is planning.

**Step 2:** Explain five characteristics of planning

- **Focuses on achieving objectives:** Planning begins with the identification of desired results. Every proposed activity is examined in relation to these objectives, so efforts and resources are directed towards a common purpose rather than unrelated activities.
- **Primary function of management:** Planning precedes organising, staffing, directing and controlling. Managers must first know the intended results and proposed course of action before arranging resources or guiding employees. Plans also provide the standards used in control.
- **Pervasive:** Planning 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 departmental and operational plans within that framework.

- **Continuous:** Planning is an ongoing process. Plans apply to a particular period and must be followed by further plans when that period ends. Managers also review and revise existing plans when circumstances or assumptions change.
- **Futuristic:** Planning looks ahead and anticipates future events, opportunities and difficulties. Managers use forecasts and reasonable assumptions about conditions such as demand, competition and resources to decide present actions. Such anticipation guides action, although it cannot eliminate uncertainty.

**Step 3:** Conclusion Planning is advance decision-making for achieving objectives through a chosen course of action. Its five characteristics explained here are its objective focus, primacy, pervasiveness, continuity and orientation towards the future.

**Quick Tip to Solve:** Start with the meaning, then use five distinct headings. Link primacy to the order of management functions and pervasiveness to levels and departments.

OR

**25(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 is to do it. It connects the present position of an enterprise with its desired future position.
- The importance of planning explains why systematic thinking before action helps an enterprise achieve its objectives. These benefits must be distinguished from the characteristics of planning, such as its being continuous or pervasive.

**Step 1:** State agreement with the statement Yes, I agree. An enterprise needs clear objectives and a deliberate course of action for achieving them. Systematic planning identifies the activities, resources and responsibilities required, rather than leaving results to chance. Its importance is explained by the following five reasons.

**Step 2:** Explain direction and preparation for uncertainty

- **Planning provides direction:** By stating objectives and deciding the actions needed to achieve them, planning tells employees what the enterprise expects them to accomplish. Departments can coordinate their efforts towards the same goals, instead of pursuing unrelated activities. For example, a sales target gives production and sales staff a common basis for arranging their work.
- **Planning reduces the risk of uncertainty:** Managers look ahead, assess likely changes in demand, competition and other business conditions, and decide how to respond. This preparation enables an enterprise to anticipate difficulties and reduce their adverse effects. Planning cannot eliminate

every unexpected event, but it makes the enterprise better prepared to deal with change.

**Step 3:** Explain economy of effort and better decisions

- **Planning reduces overlapping and wasteful activities:** A clear plan specifies what each person or department should do. This prevents unnecessary duplication, confusion and conflicting actions. Coordinated use of materials, time and money reduces waste and helps the enterprise employ its limited resources efficiently.
- **Planning facilitates decision-making:** Managers identify alternative courses of action, examine their likely costs and benefits, and select the most suitable course in relation to the objectives. Decisions therefore rest on a considered comparison rather than on an immediate impulse. The selected plan also guides subsequent operating decisions.

**Step 4:** Explain the basis for managerial control

- **Planning establishes standards for controlling:** Plans specify the results expected, such as output, cost or sales targets. Managers compare actual performance with these standards, identify deviations and take corrective action. Without a planned standard, they would lack a clear basis for judging whether activities are moving the enterprise towards its objectives.

**Step 5:** Conclusion Systematic planning supports achievement of objectives by providing direction, reducing uncertainty, preventing waste, improving decisions and establishing standards for control. It is therefore essential to purposeful management, although successful results also require effective implementation and adjustment to changing conditions.

**Quick Tip to Solve:** For a question asking why planning is necessary, explain its benefits. Use direction, uncertainty, waste, decisions and control as five distinct headings, and show how each helps achieve objectives.