CBSE Class 12 Business Studies Question Paper 2006 with Solution PDF-Set Delhi

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. Explain in brief 'Management as an activity'. [2 marks]

Solution:

Concept:

- Management as an activity means the actions performed by managers to get work done through and with others to achieve organisational objectives.
- These actions include interpersonal dealings, collection and communication of information, and decision-making.

Step 1: Identify the purposeful managerial work Management is an activity because a manager does something to direct collective effort towards a definite objective. Planning the work, organising resources, staffing, directing employees and controlling performance are interrelated managerial activities; merely holding a managerial designation does not accomplish the work.

Step 2: Explain the nature of the actions Managers interact with employees and other persons, obtain and pass on information, and choose between alternative courses of action. For example, a manager may discuss a production problem with workers, collect information about available resources and decide how to allocate duties. These informational, interpersonal and decisional actions help coordinate people and resources.

Step 3: Conclusion Thus, management as an activity refers to the purposeful work of managers in guiding and coordinating the efforts of others towards organisational goals.

Quick Tip to Solve: For management as an activity, describe what managers actually do: interact, obtain information and make decisions towards a goal.

2. Hina and Harish are typists in a company having same educational qualifications. Hina is getting Rs. 3,000 per month and Harish Rs. 4,000 per month as salary for the same working hours. Which principle of management is violated in this case? Name and explain the principle. [2 marks]

Solution:

Concept:

- Fayol's principle of equity requires managers to treat employees with fairness, kindness and justice.
- Employees performing comparable work should not face discrimination on grounds such as sex, religion, caste or nationality.

Step 1: Identify the violated principle from the case The principle violated is **equity**. Hina and Harish have the 'same educational qualifications' and work for the 'same working hours', yet Hina receives Rs. 3,000 while Harish receives Rs. 4,000 per month. The case gives no work-related justification for this unequal treatment.

Step 2: Explain the requirement of equity Equity means that management should be fair and impartial in its dealings with subordinates. Employees in comparable circumstances should receive equitable treatment and opportunities, rather than being favoured or disadvantaged because of personal characteristics. Fair treatment develops loyalty and commitment, while arbitrary discrimination creates dissatisfaction. Equity does not prohibit justified differences based on responsibility, performance or

other relevant factors.

Step 3: Conclusion The unequal salary treatment described violates Fayol's principle of equity, which calls for fairness and freedom from discrimination in dealing with employees.

Quick Tip to Solve: When a case contrasts comparable employees who receive unjustifiably different treatment, connect it to equity and cite the unequal treatment.

3. Explain 'Complex Organisational Structures' as a barrier to effective communication. [2 marks]

Solution:

Concept:

- An organisational barrier arises from the formal structure, rules or relationships through which messages must pass.
- A complex structure with many managerial levels creates a long chain of communication between the sender and the receiver.

Step 1: Explain how complexity lengthens the route In a complex organisational structure, information often travels through several superior-subordinate levels before reaching the person concerned. Each additional intermediary takes time to receive, interpret and forward the message. Consequently, important instructions or feedback may reach their destination late, reducing their usefulness for prompt action.

Step 2: Explain the risk of distortion At successive levels, a message may be shortened, filtered or interpreted differently. Relevant details can be omitted, and the meaning intended by the original sender may change before the final receiver gets it. Upward feedback can suffer in the same way. Thus, too many links in the formal chain make accurate and timely understanding more difficult.

Step 3: Conclusion Complex organisational structures hinder effective communication by causing delay and increasing the possibility of loss, filtering or distortion of information as it passes through many levels.

Quick Tip to Solve: Link structural complexity to two communication problems: more levels mean a longer delay and more chances for the message to change.

4. What is meant by 'Capital Structure' in financial management? [2 marks]

Solution:

Concept:

- Capital structure refers to the relative proportions of the different sources of long-term finance used by a business.
- The main distinction is between owners' funds, such as equity and retained earnings, and borrowed funds, such as debentures and long-term loans.

Step 1: Define the financing composition Capital structure is the composition or mix of long-term

funds employed by a company. It shows how much of its long-term financial requirement is met from owners' capital and how much is met from debt. Preference share capital may also form part of this financing mix.

Step 2: Clarify the meaning with an example If a company finances its long-term needs partly through equity shares and partly through debentures, the relative share of each source constitutes its capital structure. This is a financing decision: it concerns the sources of funds, rather than the particular assets purchased with them. The mix matters because debt creates fixed interest commitments, whereas equity represents ownership and does not carry a compulsory fixed dividend.

Step 3: Conclusion Capital structure is the proportionate mix of owners' funds and borrowed long-term funds used to finance the business.

Quick Tip to Solve: Remember capital structure as the source mix of long-term finance; distinguish it from asset structure, which concerns how funds are invested.

5. Explain 'Product Mix' as an element of 'Marketing Mix'. [2 marks]

Solution:

Concept:

- Product is the element of the marketing mix concerned with the goods or services offered to satisfy customer needs.
- Product-mix decisions cover the range of products offered and their features, quality, design, branding, packaging, labelling and related services.

Step 1: Explain what the product element offers As an element of the marketing mix, product mix concerns decisions about what the business will offer to its target customers. The offer includes the physical product or service and the benefits that customers obtain from it. The marketer must select a suitable product range and decide the qualities and features that will meet the intended customers' needs.

Step 2: State the associated product decisions Product decisions include quality, design, brand name, packaging and labelling, along with services such as guarantees, installation or after-sales support where relevant. These features help customers identify, use and evaluate the product. For example, a durable appliance with a clear brand, protective packaging and reliable service is a complete product offer, rather than merely a physical machine.

Step 3: Conclusion Product mix, as part of marketing mix, consists of decisions about the products and associated benefits offered to customers, including their range, features, branding, packaging and supporting services.

Quick Tip to Solve: For the product element, move from what is sold to how it is designed, identified, packed and supported; avoid discussing price or distribution instead.

6. 'Demand for reservation in jobs for minorities' refers to an example of key component of general environment of business. Name and explain the component. [3 marks]

Solution:

Concept:

- The social environment consists of the social forces surrounding a business, including customs, traditions, values, beliefs, attitudes and expectations of people.
- A change in society's expectations can affect employment practices and the way a business deals with different groups in the community.

Step 1: Identify the component from the demand The component is the **social environment**. The words 'demand for reservation in jobs for minorities' express a social expectation about access to employment and the representation of different groups. They indicate the attitudes and aspirations of society towards equality of opportunity and the inclusion of minority communities.

Step 2: Explain how the component affects business The social environment includes people's beliefs and values about what is desirable and acceptable. Such values influence the conduct expected of business enterprises. As social awareness and expectations change, businesses may need to reconsider recruitment policies, employment opportunities and their responsibilities towards the community. In this example, the demand originates in society's concern about the position of minorities. The emphasis is on the social demand itself; an enacted reservation rule would additionally form part of the legal environment.

Step 3: Conclusion Thus, the demand illustrates the **social environment**: society's values, attitudes and expectations influence the employment policies and behaviour expected of business.

Quick Tip to Solve: Identify what the example describes: a social demand or attitude points to the social environment, while an enacted rule points to the legal environment.

7. State any three qualities of a good leader. [3 marks]

Solution:

Concept:

- Leadership is the process of influencing people so that they willingly work towards organisational objectives.
- A leader needs personal qualities that build confidence, communicate direction and encourage followers to cooperate.

Step 1: State knowledge and communication qualities **1. Knowledge:** A good leader should possess sound knowledge of the work and the organisation. This enables the leader to guide subordinates, solve work-related difficulties and earn their respect. Employees are more willing to accept guidance from someone who understands the job.

2. Communication skills: A leader should express instructions and ideas clearly and also listen to followers. Clear communication helps employees understand what is expected, while attentive listening helps the leader identify their problems and suggestions.

Step 2: State the quality that creates confidence **3. Self-confidence:** A leader should have confidence in personal judgement and abilities. This helps the leader face difficult situations, take necessary decisions and give followers a sense of assurance. Confidence should rest on knowledge and preparation, rather than on ignoring other people's views. A confident leader can explain a decision calmly and encourage the group to work towards it.

Step 3: Conclusion Three qualities of a good leader are **knowledge**, **communication skills** and **self-confidence**. Together they help the leader guide, influence and inspire followers.

Quick Tip to Solve: For each leadership quality, add one sentence showing how it helps the leader influence or guide the team; a bare list gives less explanation.

8. Name the type of formal communication in which the persons of two departments one at a higher position and another at lower, communicate with each other? Also state the problem which may arise in this type of communication. [3 marks]

Solution:

Concept:

- Formal communication follows relationships established by the organisational structure. Its direction can be vertical, horizontal or diagonal.
- Diagonal communication crosses both departmental boundaries and hierarchical levels, linking people who are neither at the same level nor in a direct superior-subordinate relationship.

Step 1: Identify the communication direction The type is **diagonal communication**, also called crosswise communication. The question contains two identifying features: the persons belong to different departments, and one occupies a higher position while the other occupies a lower position. Horizontal communication would connect people at the same level, so it does not describe this situation.

Step 2: Explain the possible problem The problem is that diagonal communication may **bypass the established chain of command**. The lower-level employee's immediate superior may not know about the information exchanged or the instructions received from another department. This can create confusion about authority, conflicting instructions and difficulty in fixing responsibility. It may also cause resentment or friction if the immediate superior feels that their authority has been ignored. To avoid this problem, the concerned superiors should be kept informed and cross-departmental communication should operate within authorised arrangements.

Step 3: Conclusion This is **diagonal communication**. Its possible difficulty is bypassing the chain of command, leading to confusion, conflicting instructions or friction between departments and superiors.

Quick Tip to Solve: Different departments plus different hierarchical levels means diagonal communication; connect its main risk with bypassing the employee's immediate superior.

9. Explain any three causes of over-capitalisation. [3 marks]

Solution:

Concept:

- Over-capitalisation occurs when a company's capital is excessive in relation to its earning capacity, so that earnings do not provide a fair return on that capital.
- The issue is not simply that a company holds much capital. The important comparison is between the capital represented by its securities and the earnings that its business can sustain.

Step 1: Explain inflated asset values and promotion costs **1. Acquisition of assets at inflated prices:** If a company purchases fixed assets or an existing business at prices above their real worth, it may issue excessive capital to finance the purchase. The assets may not generate earnings sufficient to justify that capital, causing over-capitalisation.

2. Excessive promotion expenses: Heavy preliminary expenses, promoters' remuneration and other formation costs may absorb a large part of the capital raised. These outlays do not create corresponding productive assets. Consequently, earnings may remain too low to provide an adequate return on the total capital.

Step 2: Explain an excessive estimate of future earnings **3. Overestimation of earnings:** Promoters may make an unduly optimistic estimate of future profits and raise capital on that basis. If actual earnings are lower than expected, the company cannot earn a normal return on the capital issued. The capital then proves excessive in relation to the company's actual earning capacity, even though the original estimate appeared to justify it.

Step 3: Conclusion Three causes of over-capitalisation are **buying assets at inflated prices**, **incurring excessive promotion expenses** and **overestimating future earnings**. Each creates capital that actual earnings cannot adequately support.

Quick Tip to Solve: Explain every cause through the same link: excessive capital or unproductive expenditure leaves earnings insufficient to provide a normal return.

10. Explain any three qualities of a good brand name. [3 marks]

Solution:

Concept:

- A brand name is the part of a brand that can be spoken, such as a word or a combination of words. It identifies a seller's product and distinguishes it from competing products.
- A good brand name should make identification and recall easy while communicating a suitable impression of the product. Its qualities help customers recognise the same product when buying again.

Step 1: Explain ease of pronunciation and recall **Short, simple and easy to pronounce:** A good brand name should be easy to spell, recognise and remember. A customer who can say and recall the name readily can ask for the product without confusion. Long or complicated words are harder to retain and may be mispronounced, weakening the link between the product and its name.

Step 2: Explain the connection with the product **Suggestive of the product's benefits or qualities:** The name should convey an appropriate idea of what the product offers, such as its use, freshness, durability or other desirable characteristic. This helps the customer associate the name with a relevant benefit and supports the firm's communication about the product.

Step 3: Explain distinctiveness **Distinctive:** The name should stand out from the names used by competitors. A distinctive name helps buyers identify the particular seller's product instead of confusing it with another brand. It also makes advertising and repeat purchasing more effective because the customer can connect the name with one clear product identity.

Step 4: Conclusion Three qualities of a good brand name are that it is short and easy to remember, suggests the product's benefits or qualities, and is distinctive from competing brand names.

Quick Tip to Solve: For each quality, explain its benefit to the buyer: easy recall, a useful product association, or clear identification among competitors.

11. Explain 'New Industrial Policy' and 'New Trade Policy' as economic changes initiated by the Government of India since 1991? [4 marks]

Solution:

Concept:

- The economic reforms initiated in 1991 sought to reduce unnecessary government controls, encourage private enterprise and integrate the Indian economy more closely with the world economy.
- The New Industrial Policy changed the framework for establishing and operating industries. The New Trade Policy changed the framework governing imports and exports. Both altered the economic environment in which Indian businesses operated.

Step 1: Explain the New Industrial Policy **Freedom from industrial controls:** Industrial licensing was abolished for most industries, while controls were retained for a limited number of activities on strategic, safety or environmental grounds. Businesses obtained greater freedom to establish units, expand capacity and diversify production, subject to the remaining applicable rules.

Greater role for private and foreign investment: The number of industries reserved for the public sector was reduced, opening more activities to private enterprise. Disinvestment reduced the government's shareholding in selected public sector enterprises. Restrictions on large business houses were relaxed, and foreign investment and technology agreements were made easier in specified areas. These changes aimed to increase efficiency, competition and investment.

Step 2: Explain the New Trade Policy **Liberalisation of imports:** Import licensing requirements and quantitative restrictions were progressively reduced, and import duties were lowered. Easier access to imported capital goods, raw materials and technology helped Indian producers modernise, while greater access for foreign products increased competition in the domestic market.

Promotion of exports and world trade: Export procedures and controls were simplified, and measures were introduced to encourage export production and improve exporters' access to necessary inputs. The policy moved away from a tightly controlled trade regime towards greater participation

in international markets. Indian firms consequently gained opportunities to sell abroad while facing pressure to improve quality, cost and competitiveness.

Step 3: Conclusion The New Industrial Policy liberalised industrial activity and widened the role of private and foreign investment. The New Trade Policy eased restrictions on imports and exports and encouraged greater integration with international trade.

Quick Tip to Solve: Separate the two policies by their focus: industrial policy concerns producing and investing within industries; trade policy concerns buying from and selling to other countries.

12. Can an overburdened manager take help from his subordinates? How? Explain the three important things which he should keep in mind while taking such help. [4 marks]

Solution:

Concept:

- Delegation is the transfer of authority from a superior to a subordinate to perform an assigned task. It enables a manager to share work and concentrate on more important managerial responsibilities.
- Its three elements are responsibility, authority and accountability. Responsibility is the obligation to perform the task, authority is the right to act, and accountability is answerability for the result.

Step 1: Identify how the manager can obtain help Yes, the overburdened manager can take help by delegating work and the necessary authority to suitable subordinates. He should identify the activities they can perform, explain the results expected and give them enough freedom to carry out those activities. Delegation reduces his routine workload and develops the subordinates' ability to make decisions.

Step 2: Assign responsibility clearly **Responsibility:** The manager should specify the duties to be performed, the standard of performance and the time available. Each subordinate must know exactly what work he or she is expected to complete. Responsibility arises from the superior-subordinate relationship and flows upward: the subordinate is obliged to perform the assigned work for the superior.

Step 3: Grant adequate authority **Authority:** Along with the duties, the manager should give the subordinate the right to make the necessary decisions, use resources and issue instructions within defined limits. Authority flows downward from the superior. It must be commensurate with responsibility; assigning work without sufficient powers prevents effective performance, while excessive powers may be misused.

Step 4: Establish accountability and retain supervision **Accountability:** The subordinate must be answerable to the manager for the performance of the assigned task, so a reporting and review arrangement should be clear. Accountability flows upward. The manager remains accountable to his own superior for the overall work even after delegating it; he cannot escape that accountability by blaming the subordinate. He should therefore guide and review performance without unnecessarily interfering in every routine decision.

Step 5: Conclusion The manager can obtain help through delegation. He should clearly assign responsibility, grant corresponding authority and establish accountability, while retaining his own

ultimate accountability for results.

Quick Tip to Solve: Remember delegation through the three linked questions: what must be done, what powers are needed, and who must answer for the result?

13. Explain any four functions of Stock Exchange. [4 marks]

Solution:

Concept:

- A stock exchange is an organised market where existing securities are bought and sold under prescribed rules. It is a part of the secondary market rather than a market for a company's fresh issue of securities.
- Its functions connect investors' need for liquidity and fair prices with the economy's need for the productive use of savings.

Step 1: Explain liquidity and marketability **Providing liquidity and marketability to existing securities:** A stock exchange creates a continuous market in which investors can sell securities already held and other investors can buy them. Thus, a person need not hold an investment indefinitely merely because the company continues to use its capital. The opportunity to convert securities into cash makes investment in securities more attractive. In such a transaction the existing security changes hands; the company itself does not repay its share capital.

Step 2: Explain the pricing of securities **Pricing of securities:** The interaction of demand and supply in exchange trading helps determine the market price of securities. Demand and supply reflect information such as a company's earnings prospects and prevailing economic conditions. Published quotations give investors a basis for valuing their holdings and deciding whether to buy or sell. The exchange facilitates price discovery; it does not guarantee that the market price will remain unchanged or that investors will earn a profit.

Step 3: Explain safety of transactions **Safety of transactions:** Trading takes place within an established legal and regulatory framework. Listing requirements, prescribed trading procedures and supervision of members help protect investors against unfair practices and promote reliable dealings. Securities of listed companies are traded according to these rules. This protection concerns orderly and fair transactions; it does not eliminate the risk of a fall in a security's value.

Step 4: Explain its contribution to economic growth **Contributing to economic growth:** Through trading and price discovery, funds tend to move towards securities of enterprises with better prospects. Investors can reassess and reallocate their savings instead of leaving them locked into less productive investments. A liquid secondary market also encourages people to invest in new issues because they know a resale facility exists. In this way the stock exchange supports capital formation and the efficient allocation of financial resources.

Step 5: Conclusion Four functions of a stock exchange are providing liquidity and marketability, discovering security prices, promoting safety of transactions, and contributing to economic growth through the more productive allocation of savings.

Quick Tip to Solve: For four functions, use four distinct headings and explain the mechanism under each; remember that stock-exchange trading primarily deals in existing securities.

14. Explain any four advantages of Time Rate System of wage payment. [4 marks]

Solution:

Concept:

- Under the time rate system, wages depend on the time an employee works and the agreed rate per hour, day, week or month, rather than on the number of units produced.
- Its advantages arise from simplicity, predictable earnings, attention to quality and freedom from excessive pressure to increase output.

Step 1: Explain simplicity and income security

- **Simple to understand and administer:** Both employer and employee can readily calculate wages from the time worked and the agreed rate. The system does not require a separate piece rate for every product or detailed counting of each employee's output. This makes wage calculation and record keeping comparatively easy.
- **Assured and regular income:** A worker who works the agreed time knows the wage payable for that period. Earnings do not fluctuate merely because output is temporarily low owing to a machine breakdown or a difficult job. This security helps the worker plan household expenditure and reduces anxiety about daily earnings.

Step 2: Explain its effects on quality and working conditions

- **Better quality of work:** Since payment does not rise simply with the number of pieces completed, employees need not sacrifice care and accuracy to maximise output. They can devote the required time to workmanship. This is particularly useful where precision and the quality of the finished product are important.
- **Less excessive strain on workers:** Workers are not compelled by the wage method to maintain an unusually high speed merely to earn an adequate wage. A reasonable pace reduces fatigue and the temptation to neglect safe working practices. It also encourages careful handling of machines and materials instead of hurried production.

Step 3: Conclusion Four advantages of the time rate system are simplicity, assured income, greater attention to quality, and reduced excessive strain on workers. These benefits are especially relevant where careful work matters more than the sheer number of units produced.

Quick Tip to Solve: Link each advantage to payment for time: predictable wages reduce insecurity, while absence of a piece incentive allows care and a reasonable pace.

15. Distinguish between 'Primary' and 'Secondary' market on the basis of:

i. Sale of securities

ii. Capital formation

iii. Determination of price

iv. Location [4 marks]

Solution:

Concept:

- The primary market, also called the new issue market, deals in securities issued for the first time. It channels investors' savings to issuers raising finance.
- The secondary market deals in the purchase and sale of existing securities. It provides liquidity by enabling investors to transfer their holdings to other investors.

Step 1: Identify the transaction in each market First ask whether the company is issuing a security or an investor is reselling an existing one. In a primary issue, the issuing company receives the subscription money. In a secondary transaction, the selling investor receives the sale proceeds; the company does not receive fresh funds merely because its shares change hands.

Step 2: Compare the four specified bases

Basis	Primary market	Secondary market
Sale of securities	New securities are sold by the issuing company to investors. Securities are offered for the first time in this market.	Existing securities are bought and sold among investors. The company is not the seller in an ordinary resale transaction.
Capital formation	It directly contributes to capital formation by transferring savings to companies for establishing or expanding productive activities.	It contributes indirectly to capital formation by providing liquidity and marketability. Investors are more willing to subscribe to new issues when they can subsequently sell their investments.
Determination of price	The price is determined by the issuing company, including through the prescribed issue or book-building process.	The market price is determined by the forces of demand and supply for the security and changes with trading conditions.
Location	It has no fixed geographical location; investors may subscribe through the channels arranged for the issue.	In the traditional stock-exchange distinction, it has a specified place of trading, namely the stock exchange. Transactions are now also executed through its electronic trading system.

Step 3: Conclusion The primary market raises fresh funds through new issues, whereas the secondary market provides a market for existing securities. The former directly supports capital formation; the latter supports it indirectly through liquidity. Their pricing and trading arrangements also differ as shown above.

Quick Tip to Solve: Follow the money: funds going to the issuer indicate a primary issue; funds going to a selling investor indicate a secondary transaction.

16. Explain any five techniques of 'Scientific Management'. [5 marks]

Solution:

Concept:

- Scientific management, developed by F.W. Taylor, replaces rule-of-thumb decisions with systematic study of work, workers and working conditions to improve efficiency.
- Its techniques determine the best method, the standard time and suitable conditions for performing a job. The following are five techniques of scientific management.

Step 1: Explain method study **Method study:** It identifies the best way of doing a particular job. Management studies the sequence of operations, movement of materials and use of equipment, compares possible methods and selects the most economical one. For example, a better factory layout can reduce the distance materials travel. The purpose is to minimise production costs and maximise the quality and satisfaction obtained from the work.

Step 2: Explain motion study **Motion study:** It examines the movements involved in performing a task, such as lifting, carrying, placing objects and changing position. Unnecessary movements are identified and eliminated, while useful movements are arranged efficiently. Reducing avoidable bending or reaching saves effort and enables the worker to complete the job with less strain and greater efficiency.

Step 3: Explain time study **Time study:** It determines the standard time required by a worker of reasonable skill and efficiency to perform a well-defined job under standard conditions. The time taken for the task's elements is observed repeatedly and suitable allowances are considered. This standard helps management plan workloads, determine labour requirements and establish fair performance standards and incentive schemes.

Step 4: Explain fatigue study **Fatigue study:** It determines the amount and frequency of rest intervals needed to enable workers to perform efficiently. Continuous work causes physical and mental tiredness, which may reduce output and increase errors. By studying the nature of the job and working conditions, management provides appropriate rest pauses and reduces causes of fatigue, thereby restoring energy and maintaining productivity.

Step 5: Explain differential piece wage system **Differential piece wage system:** It rewards efficiency through different piece rates. A worker who attains or exceeds the prescribed standard receives a higher rate per unit, whereas one who falls below the standard receives a lower rate. Thus, an efficient worker earns more for the output produced. The distinction encourages workers to achieve the scientifically determined standard and improve performance.

Step 6: Conclusion Method study, motion study, time study, fatigue study and the differential piece wage system are five techniques of scientific management. Together they improve methods, remove waste, set standards, protect working efficiency and provide incentives for higher performance.

Quick Tip to Solve: Distinguish the work studies by their focus: method asks how, motion asks which movements, time asks how long, and fatigue asks when to rest.

17. 'In the absence of management the productive resources will remain resources and shall never become production.' Explain the importance of management in the light of the above statement.

[5 marks]

Solution:

Concept:

- Management is the process of getting work done effectively and efficiently through planning, organising, staffing, directing and controlling resources.
- Men, money, materials and machines do not automatically produce useful output. Management combines their efforts and directs their use towards organisational objectives.

Step 1: Relate resources to purposeful production The statement emphasises management's role as an integrating force. A factory may possess workers, finance, machinery and raw materials, but these resources need a production plan, suitable assignments, guidance and coordination. Management decides what is to be produced, arranges the required inputs and ensures that people work together. It therefore converts the potential of productive resources into actual goods and services.

Step 2: Explain the importance for organisational performance **Achievement of group goals:** Management establishes common objectives and directs individual efforts towards them. It coordinates activities so that departments contribute to the same result rather than work at cross-purposes. Thus, purchasing, production and sales support the organisation's overall targets.

Increased efficiency: Management seeks maximum output from the available resources with minimum waste of time, effort and cost. Suitable work methods, proper allocation of duties and control of performance reduce idle machinery, duplication and wastage. Resources are consequently used productively rather than merely being possessed.

Step 3: Explain the importance for people and adaptation **Creation of a dynamic organisation:** Management helps the enterprise adapt to changes in technology, competition and customer needs. It explains the need for change and guides employees in accepting new methods. This enables the organisation to continue producing relevant goods and services in a changing environment.

Achievement of personal objectives: Through motivation, leadership, fair rewards and opportunities for development, management helps employees satisfy their individual needs while contributing to organisational goals. Willing and cooperative effort makes productive resources more effective than forced or uncoordinated activity.

Step 4: Explain the contribution to society **Development of society:** Efficient management supplies useful goods and services, creates employment and uses scarce resources responsibly. By improving organisational performance and fulfilling social obligations, it contributes to economic growth and a better standard of living. Its importance therefore extends beyond the enterprise and its employees.

Step 5: Conclusion Management makes resources productive by integrating and directing them towards common goals. Its importance is seen in goal achievement, greater efficiency, adaptation to change, fulfilment of employees' objectives and development of society. Without this purposeful coordination, the mere availability of inputs cannot ensure production.

Quick Tip to Solve: Begin with management as the integrating force, then connect its five areas of importance to goals, efficiency, change, employees and society.

18. 'Planning and controlling are inter-dependent and inter-linked activities'. Explain. [5 marks]

Solution:

Concept:

- Planning decides in advance what is to be achieved and how it is to be achieved. It establishes objectives and standards against which actual performance can be judged.
- Controlling measures actual performance, compares it with planned standards, analyses deviations and initiates corrective action. Planning and controlling therefore depend on one another throughout the management process.

Step 1: Explain how planning provides the basis for control **Planning supplies standards:** A manager can judge whether performance is satisfactory only when a target has already been established. Plans specify the desired quantity, quality, cost or time of performance. For example, if the plan fixes monthly output at 1,000 units, controlling can compare actual output with that target. Without a plan there is no clear yardstick for identifying a deviation. Thus, planning is a prerequisite for meaningful control.

Step 2: Explain how controlling makes plans effective **Controlling checks implementation:** Preparing a plan alone does not ensure that employees carry it out or that objectives are achieved. Controlling follows up actual work, identifies differences between results and standards, and prompts corrective action. If output falls below the planned target, the manager investigates the cause and may improve training, repair equipment or remove a shortage of materials. In this way, controlling helps translate plans into results; planning without control would leave implementation unchecked.

Step 3: Show how feedback links one plan to the next **Control information improves future plans:** Deviations reveal whether assumptions, methods and standards were realistic. When circumstances have changed, managers may revise the plan rather than merely demand adherence to an unsuitable target. The experience gained through controlling therefore becomes an input into the next planning cycle. Each completed cycle provides better information for setting objectives and choosing methods in the future.

Step 4: Relate their forward-looking and backward-looking aspects **Both look ahead as well as back:** Planning is primarily forward-looking because it determines future action, but it also uses past experience. Controlling looks back when it compares completed performance with standards, yet its purpose is forward-looking: it prevents recurrence of mistakes and improves subsequent performance. The two functions are closely interlinked rather than independent, isolated activities.

Step 5: Conclusion Planning gives controlling its standards, while controlling checks the execution of plans and supplies feedback for improved planning. Together they form a continuous cycle directed towards achieving organisational objectives.

Quick Tip to Solve: Build the answer around the cycle: plans set standards, control compares results, corrective action follows, and feedback improves the next plan.

19. Explain any five factors which affect the 'Dividend Policy' of a company. [5 marks]

Solution:

Concept:

- The dividend decision concerns how much of the company's profit should be distributed to shareholders and how much should be retained in the business. Dividend policy must balance shareholders' current income with the company's future financial requirements.
- A company must consider both its earning capacity and its ability to make a cash payment. Accounting profit and cash available for distribution are related but are not identical.

Step 1: Explain the amount and stability of earnings **1. Amount of earnings:** Dividends are paid out of current and accumulated earnings. Other things being equal, a company with higher distributable earnings can declare a larger dividend. A company with low earnings has less scope for distribution, since it must also provide for the needs of the business.

2. Stability of earnings: A company whose earnings are reasonably stable can commit itself more confidently to a regular dividend. A company with fluctuating earnings generally adopts a more cautious policy and retains a larger portion of profits in good years, so that a temporary fall in earnings does not force an abrupt reduction in dividend. Thus, two companies earning the same profit in a particular year may follow different policies because their future earning prospects differ.

Step 2: Explain growth needs and the availability of cash **3. Growth opportunities:** A growing company needs funds for expansion, modernisation and other investment opportunities. It may retain a larger share of profits to finance those projects internally and consequently distribute a smaller dividend. A mature company with fewer investment requirements can generally distribute a larger share, other factors remaining the same.

4. Cash-flow position: A cash dividend requires an actual outflow of cash. A company may report substantial profit while its funds are tied up in inventories, credit sales or fixed assets. Such a company may be unable to pay a high dividend immediately. A sound cash position makes payment easier, whereas a shortage of cash restricts distribution even if reported profits are high.

Step 3: Explain shareholders' preferences **5. Shareholders' preferences:** Management considers whether shareholders prefer a regular cash income or the possibility of future capital appreciation. Shareholders who depend on dividends for their living expenses tend to favour a higher, regular payment. Those who prefer growth in the value of their investment may accept greater retention of profits. The company considers these expectations while balancing them with its own financial requirements; preferences alone do not remove the need for sufficient earnings and cash.

Step 4: Conclusion Five factors affecting dividend policy are the amount of earnings, stability of earnings, growth opportunities, cash-flow position and shareholders' preferences. Their combined effect determines the balance between distributing profits now and retaining them for the future.

Quick Tip to Solve: Keep profit, stable profit and available cash distinct: earning a profit does not by itself guarantee that the company can pay a large cash dividend.

20. 'A toy car free with 'Maggi Noodles' is an example of one of the techniques of Sales Promotion. Name the technique and explain two other techniques with examples. [5 marks]

Solution:

Concept:

- Sales promotion consists of short-term incentives offered to encourage customers to purchase a product immediately. The incentive supplements the product's ordinary benefits and operates for a limited period.
- Product combinations, rebates and discounts are different sales-promotion techniques. Identify a technique by the form of the benefit: another product free, a special price reduction, or a stated percentage reduction from the list price.

Step 1: Identify the technique used for Maggi Noodles **Product combinations:** This technique offers another product as a free gift with the purchase of the main product. In the given example, the customer buys Maggi Noodles and receives a toy car without paying separately for it. The toy car is the additional product; its attraction encourages the purchase of the noodles. Therefore, the technique is **product combinations**, also described as a free gift offer.

Step 2: Explain a rebate with an example **Rebate:** Under this technique, a product is offered at a special reduced price for a limited period, often to clear excess stock or stimulate sales. The buyer obtains the product for less than its usual price, and the temporary saving encourages an immediate purchase. For example, a refrigerator normally priced at Rs 20,000 may be offered with a rebate of Rs 2,000 during a special clearance sale, so that the customer pays Rs 18,000. These figures illustrate the technique; the essential feature is the special reduction in price.

Step 3: Explain a discount with an example **Discount:** The seller offers a stated percentage reduction from the listed price of a product. The customer can see the saving directly, making the offer attractive during the promotion. For example, a garment shop may advertise a 20% discount on shirts with a list price of Rs 1,000 each. The reduction is Rs 200, and the customer pays Rs 800. Unlike the toy-car offer, the incentive here is a lower payment for the main product rather than another product supplied free.

Step 4: Conclusion The free toy car with Maggi Noodles is an example of **product combinations**. Two other techniques are **rebate**, such as a special Rs 2,000 reduction on a refrigerator, and **discount**, such as 20% off the list price of a shirt.

Quick Tip to Solve: Look at what the buyer receives: a second product free indicates product combinations; a special price cut indicates rebate, while a percentage off list price indicates discount.

21(a). Explain 'Policies' and 'Procedures' as the types of Plans. Differentiate between the two on any four basis. [6 marks]

Solution:

Concept:

- Plans provide guidance for achieving organisational objectives. Standing plans are used repeatedly for recurring situations; policies and procedures are two such types of plans.
- A policy guides thinking and decision-making within broad limits. A procedure prescribes the sequence of steps to be followed when a recurring activity is performed.

Step 1: Explain policies as a type of plan **Policies** are general statements that guide thinking or channelise efforts towards a particular direction. They establish the broad boundaries within which managers make decisions. A policy does not specify every action in detail, so the manager can exercise judgement while remaining within the stated limits. It promotes consistency without requiring the same decision in every circumstance. For example, a company may adopt a policy of giving preference to existing employees when filling higher positions. The policy guides the choice of candidates but does not prescribe every step of the selection process or name the employee to be promoted.

Step 2: Explain procedures as a type of plan **Procedures** are routine steps, arranged in a definite or chronological order, for carrying out an activity. They indicate the manner in which the work is to be performed and specify what is to be done first, next and thereafter. This standard sequence reduces uncertainty and helps different employees coordinate their work. For example, a recruitment procedure may require the organisation to receive applications, screen them, conduct tests and interviews, check references and issue appointment letters. The sequence tells employees how to handle the recurring activity; it provides more specific action guidance than a broad policy.

Step 3: Differentiate on four bases

Basis	Policies	Procedures
Purpose	Guide thinking and decision-making so that decisions conform to organisational objectives.	Guide action by laying down the steps for performing a recurring activity.
Scope and detail	Broad statements covering a general area of decision-making, such as promotion or credit.	Specific and detailed instructions concerning the performance of a particular activity.
Discretion	Leave room for managerial judgement within the limits established by the policy.	Allow less discretion in carrying out the prescribed sequence of steps.
Sequence	Do not necessarily prescribe a chronological order of actions.	Prescribe steps in a definite order, indicating what must precede or follow another action.

Step 4: Conclusion Policies and procedures are standing plans for recurring situations. A policy sets broad decision guidelines, while a procedure translates the required work into an ordered series of actions. They differ in purpose, scope and detail, discretion, and sequence.

Quick Tip to Solve: Use "What should guide our decision?" for a policy and "What steps must we follow, and in what order?" for a procedure. Keep the same basis in both columns when distinguishing them.

OR

21(b). Explain 'Rules' and 'Methods' as types of Plans. Differentiate between the two on any four basis. [6 marks]

Solution:

Concept:

- Planning includes specific plans that guide recurring actions. Rules and methods both promote consistency, but they guide different aspects of behaviour and work.
- A rule states precisely what must or must not be done in a particular situation. A method prescribes the way in which a particular task or operation is to be performed.

Step 1: Explain rules as plans **Rules:** A rule is a specific statement prescribing an action or prohibiting an action in a given situation. It leaves no discretion about whether that direction is to be obeyed. For example, a rule prohibiting smoking in the factory requires every person to refrain from smoking there. It tells the employee what behaviour is permitted, rather than teaching a technique for doing a job. Rules help maintain discipline, safety and uniform treatment by making management's requirements definite.

Step 2: Explain methods as plans **Methods:** A method is the prescribed manner or technique of performing a particular task. It specifies how the work is to be carried out, taking account of the objective, available facilities and time. For example, a prescribed method of packing a fragile product may require cushioning it, placing it in a carton and sealing it in a specified way. Choosing a suitable method standardises the operation, assists employee training and reduces unnecessary effort, time and cost. A method usually describes how one step within a broader procedure is performed.

Step 3: Distinguish rules from methods on four bases

Basis	Rules	Methods
Nature	Specific directions stating what must or must not be done.	Prescribed ways or techniques of performing a particular task.
Main purpose	Secure obedience, discipline and uniform conduct in stated situations.	Achieve efficient and consistent task performance, saving time, effort and cost.
Content	State the required or prohibited action; they need not explain the technique of carrying it out.	Describe how to perform an operation, including its manner or detailed working steps.
Relation to a procedure	May exist independently, or govern behaviour at any stage of a procedure.	Usually specify how a particular step or operation within a procedure is performed.

Step 4: Conclusion Rules prescribe definite requirements or prohibitions, while methods prescribe the way to carry out work. Thus, the distinction concerns their nature, purpose, content and relationship with a procedure: obedience to a direction differs from following a technique of performance.

Quick Tip to Solve: Ask whether the plan answers "What must or must not be done?" or "How is this task to be done?" The first indicates a rule and the second a method.

22(a). What is meant by 'Functional Structure' of an organisation? Explain any two of its advantages and two limitations. [6 marks]

Solution:

Concept:

- Organising groups activities and establishes authority relationships so that the organisation can achieve its objectives. The basis used for grouping determines its organisational structure.
- In a functional structure, activities of a similar nature are grouped into specialised functional departments, such as production, marketing, finance and personnel, each under a functional head.

Step 1: Define functional structure **Meaning:** Functional structure is an organisational arrangement in which jobs involving similar functions are grouped together in separate departments. For example, all production activities are placed under a production manager and all marketing activities under a marketing manager. Each functional head supervises specialists in that field and reports through the organisation's authority hierarchy. The structure therefore follows the major functions performed by the enterprise, rather than dividing the organisation primarily by products or geographical markets.

Step 2: Explain two advantages

- **Functional specialisation:** Employees repeatedly perform related tasks and work with others having similar knowledge. They develop expertise in their particular function, receive guidance from specialist managers and can be trained in the skills needed for that department. This improves proficiency and the quality of performance; for instance, a dedicated finance department develops expertise in financial work.
- **Economy of operations:** Related activities and specialised facilities are concentrated in one department instead of being duplicated across separate units. Resources and staff can be used jointly for the same function, avoiding unnecessary duplication of effort. This permits more economical use of personnel and equipment and can reduce operating costs.

Step 3: Explain two limitations

- **Difficulty in coordination:** Each department concentrates on its specialised work, whereas the enterprise's results depend on several departments acting together. Their priorities may conflict: production may prefer long standardised runs, while marketing may demand frequent product changes. Since neither functional head controls the whole process, coordination across departmental boundaries may require repeated intervention by top management, delaying action.
- **Functional empires and neglect of organisational objectives:** Departmental managers may give greater importance to their own function than to the enterprise's overall interests. A department may resist cooperation or compete for resources to improve its own performance even where another allocation would benefit the business more. This narrow outlook can create interdepartmental conflict and obstruct the achievement of common objectives.

Step 4: Conclusion Functional structure groups similar activities under specialist departmental heads. It promotes specialisation and economy, but coordination problems and excessive concern for departmental interests can limit its effectiveness unless management keeps every function aligned with the organisation's common objectives.

Quick Tip to Solve: Link the benefits to grouping similar work together, and the limitations to the barriers between specialised departments. This explains why the same structure produces both outcomes.

OR

22(b). What is meant by 'Divisional Structure' of an organisation? Explain any two of its advantages and two limitations. [6 marks]

Solution:

Concept:

- Divisional structure groups organisational activities around products or product lines. Each division contains the major functions required to handle its own product.
- A division can be treated as a profit centre: its head is responsible for its operations and performance, while the head office coordinates divisions and retains overall policy control.

Step 1: Define divisional structure A divisional structure is an organisational arrangement in which activities relating to a particular product or product group are placed under one divisional head. Each division has its own functional units, such as production, purchasing, finance and marketing. For example, a company producing textiles and cosmetics may create a textile division and a cosmetics division, each with the functions needed for its own business. The basis of grouping is the product rather than a common business function across the entire company.

Step 2: Explain two advantages

- **Clear accountability for results:** The revenues, costs and profits of each division can be identified separately. Consequently, management can assess each division's performance and hold its head responsible for the results. Poor performance is easier to locate than when the results of different products are combined.
- **Development of managerial talent:** A divisional head deals with several functions associated with the product, rather than specialising in only one function. This provides experience in coordinating production, finance and marketing and making decisions for a complete business unit. It develops general management skills and prepares managers for higher responsibilities.

Step 3: Explain two limitations

- **Duplication of resources and higher costs:** Separate divisions may each maintain purchasing, marketing and other facilities. Similar work, staff and equipment are therefore duplicated across product divisions. The resulting cost may be greater than that of sharing these facilities centrally, particularly when individual divisions are too small to use them fully.
- **Conflict between divisional and organisational interests:** Divisional heads may concentrate on increasing their own division's profits even when this harms the company as a whole. Competition over funds, personnel or common services can lead to disputes between divisions. Top management must coordinate their decisions so that a division's targets do not displace the organisation's overall objectives.

Step 4: Conclusion Divisional structure creates product-based units with their own supporting functions. It improves accountability and develops general managers, but may increase costs through duplication and create conflicts between divisional and company interests.

Quick Tip to Solve: Identify the basis of grouping first: products indicate divisions. Link the benefits to responsibility for a whole product and the limitations to repeating functions across products.

23(a). Explain 'Profit Sharing', 'Co-partnership' and 'Suggestion System' as monetary incentives.

[6 marks]

Solution:

Concept:

- Monetary incentives motivate employees by offering financial benefits in addition to normal remuneration. The benefit can be linked to organisational results, ownership or an employee's useful contribution.
- Profit sharing gives employees a share of profits, co-partnership gives them an ownership interest, and a rewarded suggestion system encourages practical improvements through financial recognition.

Step 1: Explain profit sharing **Profit sharing:** Under this incentive, employees receive an agreed share of the organisation's profits, in addition to their usual wages or salaries. The share is distributed according to the scheme adopted by the employer; it is not simply the payment of ordinary wages. When employees know that better organisational results can increase their own financial reward, they have a reason to improve productivity, maintain quality and avoid waste. The scheme therefore links employees' financial interests with the success of the enterprise and encourages cooperation in achieving its objectives. A share of profits is different from acquiring shares in the company's ownership.

Step 2: Explain co-partnership **Co-partnership:** Under co-partnership, employees are given an opportunity to become part owners of the company by acquiring its shares, usually under an employee scheme on favourable terms. Their position is therefore that of employees as well as shareholders. They may receive dividends on these shares and benefit from an increase in their value, subject to company performance. The ownership interest creates a sense of belonging and encourages employees to work for the company's long-term prosperity. Unlike profit sharing alone, which distributes part of a period's profit, co-partnership gives the employee an ownership stake in the business.

Step 3: Explain the suggestion system **Suggestion system:** Employees are encouraged to submit practical suggestions for improving methods, saving materials or time, reducing costs, improving quality or making work more efficient. Management evaluates these suggestions and gives a monetary reward for useful suggestions that are accepted or implemented, according to the scheme. For example, an employee who proposes a workable way of reducing material wastage may receive a cash award. The reward motivates employees to use their experience and initiative for organisational improvement. The financial reward attached to a useful suggestion is the monetary incentive here; merely collecting employees' ideas without such a reward would not explain its monetary aspect.

Step 4: Conclusion Profit sharing rewards employees with a share of profits; co-partnership gives them a financial interest through ownership of shares; and the suggestion system gives monetary rewards for useful ideas. Each connects an employee's contribution with a tangible financial benefit.

Quick Tip to Solve: Remember the different reward in each scheme: a share of profits, shares in ownership, and cash for useful suggestions. Explain both the benefit and how it motivates employees.

OR

23(b). Explain 'Internship', 'Vestibule Training' and 'Job Rotation' as the types of training. [6 marks]

Solution:

Concept:

- Training is the systematic process of improving an employee's knowledge and skills for performing a particular job. Different methods give practical experience in different ways.
- Internship combines classroom learning with work experience; vestibule training recreates the workplace away from actual production; job rotation moves a trainee through different jobs.

Step 1: Explain internship training **Internship:** This is a joint programme of educational institutions and business organisations. Students continue their theoretical education while also working in an organisation for a prescribed period to acquire practical knowledge and experience. The institution supplies the academic foundation, and the employer provides supervised exposure to real tasks, working conditions and professional responsibilities. For example, a management student may spend a period working in a business as part of the course. The student learns how classroom concepts apply to actual problems and becomes familiar with workplace discipline. Thus, internship bridges the gap between theoretical study and practical work; it is more than merely observing a lecture or reading a manual.

Step 2: Explain vestibule training **Vestibule training:** Employees learn their jobs in a separate training centre or classroom where the conditions of the actual workplace are reproduced. The equipment and materials used resemble those used on the job, but the learning takes place away from the normal production process. A qualified instructor demonstrates the operation and supervises practice. This method is particularly useful when employees must handle sophisticated machinery or when mistakes by beginners could be costly or dangerous. Since trainees practise separately, they can learn without interrupting regular production, damaging production equipment or exposing themselves to the full risks of an operating workplace.

Step 3: Explain job rotation **Job rotation:** A trainee is moved systematically from one job, department or assignment to another for specified periods. At each position, the trainee works under the guidance of the responsible supervisor and learns its duties and procedures. For example, a management trainee may work successively in purchasing, production and sales. This provides a broader understanding of the enterprise and shows how the work of one department affects the others. Rotation also develops varied skills, helps the organisation identify the trainee's abilities and prepares the employee to accept wider responsibilities. It involves planned learning across assignments rather than an unplanned or permanent transfer.

Step 4: Conclusion Internship links education with supervised practical work, vestibule training provides practice in a simulated workplace outside regular production, and job rotation develops experience by moving the trainee through a planned series of jobs.

Quick Tip to Solve: Distinguish the three methods by their setting: education plus real work, a separate simulated workplace, and successive jobs within the organisation.

24(a). Explain any six rights of a consumer under the Consumer Protection Act, 1986. [6 marks]

Solution:

Concept:

- Consumer protection safeguards buyers against defective goods, deficient services and unfair trade practices. The Consumer Protection Act, 1986 recognises rights that enable consumers to make informed choices and seek a remedy when their interests are harmed.
- The six consumer rights are the rights to safety, to be informed, to choose, to be heard, to seek redressal and to consumer education.

Step 1: Explain the right to safety **Right to safety:** A consumer has the right to protection against the marketing of goods and services that are hazardous to life and property. Products should meet the required safety standards and be safe when used as directed. For example, an electrical appliance should not expose its user to an avoidable risk of electric shock. This right protects the consumer's physical well-being as well as property.

Step 2: Explain the right to be informed **Right to be informed:** A consumer has the right to obtain complete and accurate information about the quality, quantity, potency, purity, standard and price of goods or services. Information such as ingredients, date of manufacture, expiry date and directions for use helps the buyer evaluate a product. It protects consumers against misleading claims and enables an informed purchase rather than a decision based on concealment or deception.

Step 3: Explain the right to choose **Right to choose:** A consumer has the right to access a variety of goods and services at competitive prices, wherever possible, and to select the product that best suits personal needs. A seller should not compel the consumer to buy an unwanted product as a condition of obtaining the desired one. Meaningful choice requires the freedom to compare alternatives rather than being forced into a particular purchase.

Step 4: Explain the right to be heard **Right to be heard:** A consumer has the right to have complaints and concerns heard and to have consumer interests receive due consideration at appropriate forums. The consumer should have an opportunity to present a grievance to the seller, manufacturer or consumer redressal body. This right ensures that the consumer's point of view is considered instead of being ignored merely because the seller is more powerful.

Step 5: Explain the right to seek redressal **Right to seek redressal:** A consumer has the right to seek a remedy against unfair trade practices, restrictive trade practices or unscrupulous exploitation. When goods are defective or services deficient, the consumer may seek appropriate relief through the consumer redressal machinery. Depending on the case, relief can include removal of defects, replacement, refund or compensation for loss or injury. Thus, a consumer is entitled to pursue a practical remedy, not merely to register dissatisfaction.

Step 6: Explain the right to consumer education **Right to consumer education:** A consumer has the right to acquire the knowledge and skills needed to become an informed consumer throughout life. Education about rights, responsibilities, quality standards and the procedure for making complaints enables buyers to recognise exploitation and respond effectively. Consumer organisations, educational institutions and awareness programmes help people understand how to exercise their rights.

Step 7: Conclusion The six rights under the Consumer Protection Act, 1986 protect consumers through safety, reliable information, freedom of choice, a hearing, remedies for grievances and

education about consumer matters.

Quick Tip to Solve: Remember the sequence: safe products, correct information, free choice, a hearing, a remedy and consumer awareness. Explain the protection each right provides.

OR

24(b). Explain any six responsibilities of the consumer to safeguard his interests. [6 marks]

Solution:

Concept:

- Consumer protection becomes effective when consumers exercise their rights responsibly and take reasonable precautions before, during and after a purchase.
- An informed consumer checks quality and price, uses the product properly, preserves proof of purchase and seeks redress against unfair practices.

Step 1: Take informed precautions before buying

- **Be aware of goods and services available:** A consumer should collect information about competing products, their prices, features and terms of sale. Comparing alternatives helps the buyer make an intelligent choice rather than rely blindly on an advertisement or a seller's claim.
- **Buy standardised goods and check quality:** The consumer should look for appropriate quality certification, such as ISI on suitable industrial products or AGMARK on agricultural products. The label, quantity, ingredients, manufacturing date and expiry date should also be checked wherever applicable. These precautions reduce the risk of buying unsafe, adulterated or substandard goods.
- **Read labels and follow instructions carefully:** The buyer should understand the directions, precautions, warranty conditions and limitations before purchasing and using a product. Proper installation, use and maintenance safeguard the consumer's safety and help prevent damage arising from misuse.

Step 2: Act responsibly during and after the transaction

- **Be honest in dealings:** A consumer should buy through lawful means and avoid encouraging black marketing, hoarding or other unfair practices. False claims and dishonest use of a guarantee should also be avoided. Responsible conduct strengthens fair dealings in the market.
- **Insist on a cash memo or bill:** The buyer should obtain and preserve a proper receipt showing the seller, product, date and price. The bill and any warranty document provide evidence of the purchase and support a claim for replacement, repair, refund or compensation when warranted.
- **Complain about genuine grievances:** A consumer should approach the seller or manufacturer when goods are defective or services deficient, and seek appropriate redress if the complaint is not resolved. The complaint should be truthful and supported by records; even a small loss should not be ignored merely because pursuing it seems inconvenient.

Step 3: Conclusion Consumers safeguard their interests by being informed, checking standards and labels, following instructions, dealing honestly, retaining bills and seeking redress for genuine grievances. These six responsibilities complement the legal rights available to them.

Quick Tip to Solve: Organise consumer responsibilities around three stages: check before buying, keep proof while buying, and use correctly or complain afterwards.

25(a). Explain any four objectives of 'Marketing Management'. [6 marks]

Solution:

Concept:

- Marketing management involves planning and coordinating marketing activities so that an enterprise can satisfy the needs of its target customers and achieve its business objectives.
- Its objectives connect customer satisfaction with the creation of demand, a stronger market position and adequate profits through the effective marketing of goods and services.

Step 1: Explain objectives relating to customers and demand

- **Creation of demand:** Marketing management aims to create and develop demand for the enterprise's products. It studies consumers' needs and preferences, designs suitable offerings and communicates their benefits through advertising, personal selling and other promotion. Suitable pricing and convenient availability encourage potential buyers to become actual customers. The aim is to generate demand by offering something useful to consumers.
- **Customer satisfaction:** An enterprise seeks to satisfy its customers by supplying products of the required quality at a reasonable price, at the right place and time. Marketing management identifies what customers expect and coordinates product decisions, distribution and after-sales service accordingly. A satisfied customer is more likely to purchase again and recommend the product, so satisfaction helps establish continuing customer relationships.

Step 2: Explain objectives relating to business performance

- **Increase in market share:** Marketing management aims to strengthen the firm's position in relation to competing sellers by securing a larger share of the market's sales. Better products, reliable service, appropriate prices and an effective distribution network help attract new buyers and retain existing ones. A larger market share gives the enterprise a stronger competitive position and greater opportunities for growth.
- **Generation of adequate profits:** Marketing management seeks to earn sufficient profits to sustain and develop the business. It does so by increasing sales through customer satisfaction and by using marketing resources efficiently. Pricing must take account of customer value, competition and costs, while unnecessary selling and distribution expenses should be controlled. Adequate profits enable the enterprise to continue operations, improve its products and finance expansion.

Step 3: Conclusion Four objectives of marketing management are creation of demand, customer satisfaction, increase in market share and generation of adequate profits. They support one another: satisfying customers helps build demand and market share, which can sustain profitable business growth.

Quick Tip to Solve: Link each objective to a marketing action: research and promotion create demand, value satisfies buyers, competitive performance builds market share, and efficient sales generate profits.

OR

25(b). Explain any four factors to be considered before taking a decision of a particular medium of advertising. [6 marks]

Solution:

Concept:

- Advertising media are the channels through which an advertiser communicates a paid, impersonal promotional message to prospective buyers, such as newspapers, magazines, radio and television.
- Selection of a medium must match the product, the people to be reached and the communication required, within the available advertising budget. A medium with the largest audience is not automatically the most suitable one.

Step 1: Match the medium to the product and its buyers Any four factors may be explained. The following are four important considerations:

- **Nature of the product:** The medium should present the product's important features effectively. A product whose operation needs to be demonstrated may be advertised through television, which combines sight, sound and movement. A product requiring detailed technical information may be better explained in a suitable magazine or newspaper advertisement, where readers can examine the particulars at their own pace. Thus, the advertiser considers whether demonstration, visual appeal or detailed explanation is essential before selecting the medium.
- **Nature and coverage of the target audience:** The advertiser considers the buyers' location, age, education, income and media habits. The medium should reach the people who are likely to buy the product. A local newspaper can serve a business selling in one city, whereas a medium with wider coverage may suit a nationally marketed consumer product. Similarly, a specialised magazine may reach a particular professional group more effectively than a general publication. Expenditure on readers or viewers outside the intended market may bring little benefit.

Step 2: Compare affordability and communication effectiveness

- **Cost and available advertising budget:** The enterprise must consider the cost of preparing the advertisement as well as the charge for space or broadcasting time. The total cost should fit its budget and allow the necessary repetition. The advertiser should also compare cost in relation to the number of relevant prospective buyers reached. A medium that is cheap in absolute terms may still be wasteful if few of its readers or viewers belong to the target market; a more expensive medium may provide better value when it reaches the right people.
- **Characteristics of the medium and the message:** Each medium differs in visual quality, sound, life of the advertisement, frequency of exposure and flexibility. Television can create a strong audiovisual impression, but its message is brief; a printed advertisement can be retained and read again. An urgent announcement needs a medium in which the message can appear promptly, while a message requiring lasting reference needs a more durable form. The advertiser therefore selects the medium whose capabilities best convey the intended message and provide the required exposure.

Step 3: Conclusion Four factors are the nature of the product, the nature and coverage of the target audience, the cost within the available budget, and the characteristics of the medium in relation to

the message. Their combined assessment helps the enterprise communicate effectively to prospective buyers without wasteful expenditure.

Quick Tip to Solve: For each factor, explain how it changes the choice of medium; connect product demonstration, buyer reach, budget or message life to a suitable example.