CBSE Class 12 Business Studies Question Paper 2007 with Solution PDF-Set 66/1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

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

(iv) Attempt all parts of a question together

1. What is meant by the term 'Motivation' ? [2 marks]

Solution:

Concept:

- Motivation is the process of stimulating people to act voluntarily towards the accomplishment of desired organisational goals.
- It concerns the needs, drives and incentives that influence an employee's willingness to put effort into work.

Step 1: State the meaning Motivation means stimulating people to take the desired course of action. In management, it is the process of encouraging employees to work willingly and enthusiastically towards organisational objectives, rather than merely obtaining physical attendance or obedience.

Step 2: Explain how it works A manager identifies employees' needs and uses suitable incentives, such as recognition, responsibility or financial rewards, to encourage effort. The resulting willingness to act links the satisfaction of individual needs with the achievement of the organisation's goals.

Step 3: Conclusion Motivation is the process of stimulating employees to act willingly towards the achievement of desired goals.

Quick Tip to Solve: In a definition of motivation, connect three ideas: stimulation, willingness to act and achievement of goals.

2. What is meant by Sales Promotion ? [2 marks]

Solution:

Concept:

- Sales promotion refers to short-term incentives designed to encourage the purchase or sale of a product or service.
- It supplements advertising and personal selling by giving buyers or intermediaries an immediate reason to act.

Step 1: Define the term Sales promotion means the use of short-term incentives to stimulate customers to buy a product or service. Its purpose is to encourage an immediate purchase, product trial or increase in the quantity bought during a specified promotional period.

Step 2: Clarify with examples Examples include discounts, free samples, coupons, refunds and quantity offers. A limited-period discount gives the customer an extra inducement to buy now. Such incentives supplement the regular selling effort; they are distinct from advertising, which primarily communicates information and persuades the audience.

Step 3: Conclusion Sales promotion comprises short-term incentives used to encourage the purchase or sale of products and services.

Quick Tip to Solve: Look for an extra, temporary purchase incentive, such as a coupon or discount, when identifying sales promotion.

3. Define Product Mix. [2 marks]

Solution:

Concept:

- Product mix means the complete range of products and product lines offered for sale by a business.
- A product line is a group of related products; the product mix includes all such lines and the items within them.

Step 1: State the definition Product mix is the total assortment of products and product lines that a business offers to its customers for sale. It describes the firm's entire product offering, rather than only one product, one brand or the varieties of a single item.

Step 2: Explain its scope For example, a company may sell soaps, shampoos and toothpastes, with several varieties in each category. All these product lines and their individual items together constitute its product mix. Thus, decisions about the range of products, their varieties and related product features form part of managing the product offering.

Step 3: Conclusion Product mix is the complete set of product lines and individual products offered for sale by an enterprise.

Quick Tip to Solve: Distinguish the whole product mix from a product line: the mix covers every line the firm sells.

4. What role does legal environment play in the business ? [2 marks]

Solution:

Concept:

- The legal environment consists of laws, government regulations and judicial decisions within which business must operate.
- It establishes permissible business conduct and protects the interests of consumers, employees, investors and other stakeholders.

Step 1: Explain the regulatory role **Regulation of business:** The legal environment lays down the rules governing the establishment and operation of enterprises. Laws concerning companies, contracts, labour, competition and consumer protection define what a business may do and the obligations it must fulfil.

Step 2: Explain the practical effect **Guidance and protection:** A business must adapt its policies and practices to these legal requirements. Compliance protects stakeholder interests and helps the enterprise avoid penalties and litigation. For instance, consumer-protection provisions require fair dealing and provide remedies against defective goods or deficient services.

Step 3: Conclusion The legal environment regulates business conduct, defines rights and duties, and requires enterprises to frame their decisions and operations within the law.

Quick Tip to Solve: For the role of law, explain both the rule imposed on business and how compliance affects its decisions.

5. Mohan, a manager, does not distribute the work amongst his subordinates, either according to capability or proportionately. Which principle of management is being overlooked and why ?

[2 marks]

Solution:

Concept:

- Fayol's principle of equity requires managers to treat employees fairly, combining justice with kindness.
- Fair treatment takes account of relevant differences, such as employees' capabilities, and avoids arbitrary discrimination or unequal burdens.

Step 1: Identify the principle from the case The principle being overlooked is **equity**. The clue is that Mohan does not distribute work "according to capability or proportionately. This indicates unfair allocation of the workload among subordinates rather than a fair assessment of what each can reasonably undertake.

Step 2: Explain why the conduct violates it Equity requires just and fair treatment of employees. Work should be allocated with due regard to their ability and a reasonable balance of responsibilities, so that some employees are not unfairly overburdened while others are favoured. Mohan's arbitrary allocation can create resentment and reduce loyalty and cooperation among the staff.

Step 3: Conclusion Mohan overlooks the principle of equity because he distributes work unfairly, without due regard to employees' capabilities or a proportionate workload.

Quick Tip to Solve: When a case stresses unfair treatment or unequal burdens among employees, test it against Fayol's principle of equity.

6. Write a short note on 'Management as a Discipline'. [3 marks]

Solution:

Concept:

- Management as a discipline means management as a distinct field of study with an organised body of knowledge. It does not mean merely enforcing obedience or maintaining order among workers.
- The discipline studies how people plan, organise, staff, direct and control resources to achieve organisational objectives effectively and efficiently.

Step 1: Explain its systematic body of knowledge **Organised knowledge:** Management is a separate area of study consisting of concepts, principles and techniques developed through experience, observation and research. For example, principles of delegation explain how authority and responsibility can be assigned. Such knowledge gives students a common framework for understanding managerial problems rather than treating every decision as a matter of guesswork.

Step 2: Describe its study and application **Formal learning:** Management can be studied and taught through courses offered by universities and management institutes. Its subject matter includes functions such as planning, organising and controlling, as well as specialised areas such as marketing and finance.

Practical orientation: This study develops the knowledge and skills required to analyse business situations and coordinate human and other resources. Learners apply the principles with judgement to actual situations; studying the discipline supports, but does not by itself guarantee, successful managerial performance.

Step 3: Conclusion Thus, management is a discipline because it is a recognised and systematically organised field of knowledge that can be learned, taught and applied to the work of managing organisations.

Quick Tip to Solve: Link discipline with a field of study: organised knowledge, formal teaching and practical application. Do not confuse it with employee discipline.

7. Briefly explain any three barriers to effective communication. [3 marks]

Solution:

Concept:

- Effective communication takes place when the receiver understands the message in the sense intended by the sender. A barrier distorts, delays or prevents this understanding.
- Barriers may arise from the words used, the mental state of people or the organisational arrangements through which a message travels.

Step 1: Explain a semantic barrier **Badly expressed message:** When a sender uses vague words, an unclear sentence or inappropriate technical jargon, the receiver may attach a different meaning to the message. For example, an instruction to complete a task "soon gives no definite deadline. The message has been transmitted, but its intended meaning has not been conveyed accurately.

Step 2: Explain psychological and organisational barriers **Premature evaluation:** A receiver may judge a message before listening to it completely. Existing prejudices or a preconceived opinion about the sender then take the place of careful understanding. A manager who dismisses a worker's suggestion without hearing the explanation may miss useful information.

Status differences: A subordinate may hesitate to communicate freely with a superior because of the latter's authority and position. Fear of an unfavourable reaction can cause the subordinate to conceal mistakes or withhold important facts. Consequently, upward communication becomes incomplete and the superior receives a distorted picture of actual conditions.

Step 3: Conclusion Badly expressed messages, premature evaluation and status differences are three barriers to effective communication: they obstruct meaning, careful listening and free exchange respectively.

Quick Tip to Solve: For each barrier, state the obstacle and then show how it prevents the receiver from understanding the intended message.

8. Distinguish between 'Direction' and 'Supervision'. [3 marks]

Solution:

Concept:

- Direction is the managerial function of guiding, instructing, motivating and leading people so that they contribute towards organisational goals.
- Supervision is the direct oversight and guidance of employees while they perform their assigned work. It is one component of the wider function of direction.

Step 1: Establish the relationship Direction activates people to implement plans. A manager may direct employees through communication, leadership, motivation and supervision. Supervision focuses particularly on maintaining personal contact with workers, explaining work requirements and checking actual performance. The two terms are related, but supervision covers only part of what direction includes.

Step 2: Compare the functions on three bases The following table distinguishes the two on consistent bases.

Basis	Direction	Supervision
Scope	It is a broad managerial function including supervision, motivation, leadership and communication.	It is a narrower activity within direction, concentrating on immediate guidance and oversight of work.
Level	Every manager directs subordinates at the level at which that manager operates.	It is especially associated with the supervisory or first-line level, where managers deal directly with operating workers.
Focus	It seeks to influence and guide people towards organisational objectives through a range of interpersonal activities.	It checks work in progress, clarifies instructions and helps workers overcome difficulties in carrying out assigned tasks.

Step 3: Conclusion Direction is the comprehensive process of guiding people towards goals; supervision is its element concerned with close guidance and oversight of employees at work.

Quick Tip to Solve: Use comparable bases such as scope, level and focus. Explain supervision as an element of direction rather than treating the two as unrelated functions.

9. Briefly explain any three objectives of marketing management. [3 marks]

Solution:

Concept:

- Marketing management identifies customer needs and organises marketing activities to satisfy those needs while achieving the objectives of the enterprise.
- Its objectives connect the creation of demand and customer satisfaction with the continuing commercial success of the business.

Step 1: Explain demand creation and customer satisfaction **Creation of demand:** Marketing management seeks to attract customers and develop demand for the firm's goods and services. By understanding buyers' requirements and communicating suitable product benefits, it encourages

potential buyers to purchase. This helps the firm convert a market opportunity into actual sales rather than merely producing goods and hoping that they will sell.

Customer satisfaction: It aims to provide products and services that meet customers' needs and expectations. Appropriate quality, price, availability and service help buyers obtain value. Satisfaction encourages repeat purchases and helps build lasting customer relationships; a single sale achieved through misleading claims does not fulfil this objective.

Step 2: Explain profitable business growth **Profitability:** Marketing management aims to generate an adequate profit through satisfactory sales and efficient marketing operations. Revenue must support the costs of serving customers and leave a surplus for the enterprise. Profitable demand permits continuity and growth, so the objective is sustained earnings through value offered to customers rather than sales volume at any cost.

Step 3: Conclusion Three objectives of marketing management are creation of demand, customer satisfaction and profitability. Together they secure buyers, meet their needs and support the firm's continued operation.

Quick Tip to Solve: Connect each objective to its purpose: demand brings buyers, satisfaction retains them, and profitability sustains the business.

10. State with reasons your choice of a media of advertising for selling of soft drinks. [3 marks]

Solution:

Concept:

- Advertising is an impersonal, paid form of communication by an identified sponsor that informs and persuades prospective buyers about a product.
- The advertising medium should suit the nature of the product, the audience to be reached and the kind of appeal required. Soft drinks are frequently purchased consumer products with a wide market.

Step 1: Choose television as the medium Television is a suitable medium for advertising soft drinks. A soft-drink advertisement generally needs to attract a large number of consumers and build recognition of the brand. Television can present the drink, its pack and its use together in a short, memorable message.

Step 2: Give reasons for the choice

- **Wide coverage:** Soft drinks have a mass market. Television reaches a large audience across many regions, helping the advertiser communicate with numerous potential buyers through the same campaign.
- **Audio-visual appeal:** Television combines sound, colour and movement. Showing a chilled drink being poured and consumed can create an attractive impression of refreshment more effectively than a message that uses only words or sound.
- **Persuasive and memorable presentation:** A short story, music and repeated display of the bottle or brand name can hold attention and aid recall. This is useful when buyers choose among competing soft-drink brands at the shop.

Step 3: Conclusion Television is an appropriate advertising medium for soft drinks because it offers wide coverage, an attractive audio-visual presentation and strong persuasive appeal for a mass-consumption product.

Quick Tip to Solve: For a media-choice question, name one suitable medium first, then link each reason to the product and its target buyers.

11. Explain in brief the objectives of management. [4 marks]

Solution:

Concept:

- Management coordinates human and material resources to achieve the goals of an organisation effectively and efficiently. Its objectives are the desired results towards which managerial activities are directed.
- Management must balance organisational objectives with social objectives and the personal objectives of employees. Success cannot be judged solely by the profit earned in one period.

Step 1: Explain organisational objectives

- **Survival:** An organisation must continue to exist. Management therefore strives to earn enough revenue to cover its costs and maintain its operations. Without survival, it cannot achieve its other objectives.
- **Profit:** Earning a reasonable surplus over costs is essential for a business. Profit rewards the risks undertaken, provides funds for future activities and helps the enterprise meet unforeseen contingencies.
- **Growth:** Management aims to improve the organisation's prospects over time. Growth may be reflected in higher sales, a larger market share, increased production capacity or the introduction of new products. It requires the effective use of resources rather than expansion without purpose.

Step 2: Explain social and personal objectives

- **Social objectives:** Since an organisation operates within society and uses its resources, management should contribute to social well-being. It should supply good-quality products at reasonable prices, use environmentally responsible methods, create employment opportunities and avoid harmful or unfair business practices.
- **Personal objectives:** Employees have needs and aspirations of their own. Management should help satisfy these through fair remuneration, good working conditions, recognition, security and opportunities for training and advancement. Aligning individual aspirations with organisational goals encourages cooperation and sustained effort.

Step 3: Conclusion The objectives of management are organisational objectives of survival, profit and growth, social objectives concerning society's welfare, and personal objectives concerning employees' needs and development. Management should pursue these in a balanced manner.

Quick Tip to Solve: Organise the answer under organisational, social and personal objectives; expand organisational objectives into survival, profit and growth.

12. What is meant by 'stock exchange' ? Briefly explain any three of its functions. [4 marks]

Solution:

Concept:

- Financial Markets: a stock exchange is an organised institution that provides a market for the purchase and sale of existing securities under prescribed rules and regulations.
- The stock exchange is part of the secondary market. Trading transfers existing securities between investors rather than issuing fresh securities on behalf of a company.

Step 1: Define stock exchange A stock exchange is an institution providing a platform for buying and selling existing securities, such as shares and debentures. It operates according to established rules and regulations. Investors can therefore transfer their investments through an organised market instead of individually searching for someone willing to buy or sell.

Step 2: Explain any three functions

- **Providing liquidity and marketability:** A stock exchange provides a continuous market in which existing securities can be bought and sold. Investors can convert their holdings into cash when needed. This liquidity makes investment attractive while the issuing company continues to retain the funds originally raised by it.
- **Pricing of securities:** The forces of demand and supply determine security prices through regular buying and selling on the exchange. These market quotations provide information about the value placed on securities and help investors make decisions about purchasing, selling or retaining their investments.
- **Safety of transactions:** Transactions take place within a regulated framework. Listed companies have to comply with the exchange's requirements, and dealings are conducted under prescribed rules. This promotes fair dealing and protects the investing public against malpractices, although it does not remove the risk of a fall in market prices.

Step 3: Conclusion A stock exchange is an organised secondary market for existing securities. Three of its functions are providing liquidity and marketability, determining security prices through demand and supply, and promoting safety and fairness in transactions.

Quick Tip to Solve: Define the exchange as a market for existing securities, then explain each function by stating how it helps an investor or the trading process.

13. What is meant by 'Primary Market' ? Briefly explain the concept of 'Rights issue for existing companies'. [4 marks]

Solution:

Concept:

- Financial Markets: the primary market, also called the new issues market, deals in securities offered to investors for the first time by their issuer.
- A rights issue is a method by which an existing company offers new shares to its existing equity shareholders in proportion to their present shareholding.

Step 1: Explain the primary market **Meaning:** The primary market is the market for the issue of new securities. Companies use it to raise fresh capital, for example to establish a new business, expand operations or modernise facilities. Both a newly established company and an existing company can raise funds through this market. The money subscribed for the new securities goes to the issuing company, rather than to an investor selling previously held securities.

Step 2: Explain a rights issue by an existing company

- **Offer to existing shareholders:** When an existing company wishes to raise additional equity capital, it can first offer the new shares to its existing equity shareholders. This preferential opportunity to subscribe is called a rights issue.
- **Proportionate entitlement:** The offer is made in a specified ratio to the shares already held. For example, an offer of one new share for every four shares held gives a shareholder with 100 shares the right to subscribe for 25 new shares at the stated issue price. This illustrates the method; the entitlement depends on the terms of the actual offer.
- **Choice and ownership protection:** Shareholders may accept the offer and pay for the shares, decline it, or renounce their rights where the terms permit. By subscribing to their proportionate entitlement, existing shareholders can maintain their relative ownership and voting position instead of having it diluted by an issue made only to outsiders.

Step 3: Conclusion The primary market raises fresh funds through new securities. A rights issue is a primary-market method available to an existing company: it offers additional shares to current equity shareholders in proportion to their existing holdings, giving them the opportunity to maintain their ownership proportion.

Quick Tip to Solve: Link a rights issue to new shares offered by the company, and state both who receives the offer and how the entitlement is calculated.

14. Distinguish between 'formal' and 'informal' organisation (any four points). [4 marks]

Solution:

Concept:

- Formal organisation is the deliberately designed structure of authority and responsibility created by management to achieve organisational objectives.
- Informal organisation is the network of personal and social relationships that arises spontaneously when people interact at work. It exists alongside the formal structure.

Step 1: Identify the basis of comparison Compare the two organisations on the same basis in each row. Formal organisation describes the official arrangement of jobs and reporting relationships, whereas informal organisation describes relationships arising from friendship, common interests and social interaction. The distinction concerns how each network operates; it does not mean that informal relationships are necessarily harmful to the enterprise.

Step 2: State four paired differences

Basis	Formal organisation	Informal organisation
Formation	It is deliberately created by management through the organising process.	It develops spontaneously through personal interaction among employees.
Purpose	It is primarily intended to achieve the objectives of the enterprise by coordinating work.	It primarily satisfies members' social needs, such as friendship, belonging and mutual support.
Authority	Authority comes from the position a person occupies in the official hierarchy. A superior can issue instructions within assigned powers.	Influence comes from personal qualities and acceptance by the group. An informal leader need not hold a senior official position.
Communication	Communication normally follows prescribed channels and the chain of command.	Communication follows personal contacts and may move in any direction through the grapevine.

Step 3: Conclusion Formal and informal organisation differ in formation, purpose, the source of authority or influence, and communication channels. The formal structure provides official work relationships, while the informal network reflects the social relationships of the same people.

Quick Tip to Solve: In a distinction table, choose a common Basis for each row and place the corresponding feature of each organisation directly opposite it.

15. Distinguish between 'external' and 'internal' sources of recruitment (any four points). [4 marks]

Solution:

Concept:

- Recruitment is the process of searching for prospective employees and encouraging them to apply for jobs in the organisation. It creates a pool of candidates from which selection can be made.
- Internal recruitment seeks candidates among existing employees through transfers and promotions. External recruitment seeks candidates from outside through sources such as advertisements, employment exchanges, placement agencies and educational institutions.

Step 1: Classify candidates by their source The key distinction is whether the candidate is already an employee of the enterprise. Moving an existing employee to another job or promoting that employee uses an internal source. Inviting applications from people outside the enterprise uses an external source. Compare their usual implications for choice, cost and employee motivation rather than confusing recruitment with the later process of selecting a candidate.

Step 2: Present four paired differences

Basis	External sources	Internal sources
Origin of candidates	Candidates are sought from outside the enterprise, for example through advertisements or campus recruitment.	Candidates are drawn from employees already working in the enterprise, mainly through transfers and promotions.
Range of choice	A wider pool of applicants is available, bringing fresh talent, new ideas and skills that may not exist within the enterprise.	Choice is restricted to the existing workforce, so new talent and ideas from outside are not directly introduced.
Cost and time	Recruitment is generally more costly and time-consuming because applications must be invited and outside candidates assessed.	Recruitment is generally quicker and less expensive because employees' work records and abilities are already known.
Effect on employees	Filling higher posts from outside may disappoint existing employees who expected promotion and reduce their motivation.	Promotion opportunities generally improve employees' morale and motivate them to perform well in anticipation of advancement.

Step 3: Conclusion External and internal sources differ in candidate origin, range of choice, recruitment cost and time, and their effect on existing employees. External recruitment widens the talent pool, while internal recruitment uses known employees and offers opportunities for advancement within the enterprise.

Quick Tip to Solve: Start with the candidate's origin, then compare choice, cost and morale. Keep each row paired on the same basis and include examples only to clarify the source.

16. Briefly explain the techniques of Taylor's Scientific Management. [5 marks]

Solution:

Concept:

- Scientific management replaces rule-of-thumb methods with scientifically tested methods of work. Taylor's techniques seek higher efficiency through a suitable organisation of supervision, standard methods and fair performance incentives.
- The techniques concern both the physical process of doing a job and the organisation of people who perform and supervise it. Their common purpose is to reduce avoidable effort, time and cost.

Step 1: Explain supervision and standardisation

- **Functional foremanship:** Planning is separated from execution and specialised supervisors guide each worker. In the planning department, the route clerk, instruction-card clerk, time-and-cost clerk and disciplinarian handle their respective functions. At the shop floor, the gang boss, speed boss, repair boss and inspector supervise preparation, speed, maintenance and quality. Specialisation makes expert guidance available for each aspect of the job.
- **Standardisation and simplification:** Standardisation fixes standards for materials, tools, equip-

ment, methods and working conditions so that work is performed consistently. Simplification eliminates unnecessary varieties, sizes and types of products. Together they reduce waste, facilitate production and lower costs.

Step 2: Explain scientific studies of work

- **Method study:** Different ways of performing a job are examined to identify the best method, including the sequence of operations and movement of materials. The aim is to minimise production cost and use resources efficiently.
- **Motion study:** The movements involved in a task are observed and classified. Unnecessary motions are eliminated and useful motions are arranged economically, reducing wasted effort and increasing efficiency.
- **Time study:** The time taken by a suitably qualified worker to complete a well-defined job under standard conditions is measured. A standard time is established to plan output, determine labour requirements and design incentives.
- **Fatigue study:** The causes and extent of physical and mental fatigue are studied to decide the frequency and duration of rest intervals. Suitable breaks restore energy and help workers maintain efficient performance.

Step 3: Explain the wage incentive **Differential piece-wage system:** Workers who meet or exceed the scientifically determined standard output receive a higher wage rate per unit, while those below the standard receive a lower rate per unit. The difference rewards efficient performance and encourages workers to attain the standard. The standard should be scientifically fixed rather than arbitrarily imposed.

Step 4: Conclusion Taylor's principal techniques are functional foremanship, standardisation and simplification, method study, motion study, time study, fatigue study and the differential piece-wage system. Together they provide scientific supervision, an efficient work method, realistic standards and an incentive for higher productivity.

Quick Tip to Solve: Distinguish the work studies by their focus: method finds the best way, motion removes wasted movements, time fixes duration and fatigue fixes rest intervals.

17. What is meant by 'Privatisation' ? In what ways have the Indian business houses/managements responded to this change ? [5 marks]

Solution:

Concept:

- Privatisation is the increased role of the private sector and reduced role of the public sector in economic activities. It includes transfer of government ownership or management of public enterprises to private hands.
- Changes in government policy alter the opportunities and competitive pressures faced by enterprises. Business management must adjust its strategies, operations and use of resources to the changed environment.

Step 1: State the meaning of privatisation Privatisation gives a greater role to private enterprise

in owning, managing and operating businesses. It includes selling government equity, transferring control to private management and opening activities previously reserved for the public sector to private participation. Disinvestment reduces government shareholding, while transfer of controlling ownership takes privatisation further.

Step 2: Explain the operational responses of Indian businesses

- **Customer focus:** With more competitors and greater choice, businesses have become more attentive to customers' needs. They improve product quality, after-sales service and responsiveness instead of assuming that whatever they produce will automatically sell.
- **Improvement in efficiency:** Managements seek to control costs, improve productivity and use resources more effectively. Greater competition makes inefficient operations difficult to sustain, so enterprises review their production and administrative methods.
- **Technological improvement:** Business houses adopt better technology, modernise equipment and improve products and processes. This helps them compete on quality, cost and speed rather than depend on protection from competitors.

Step 3: Explain the strategic and organisational responses

- **Restructuring and concentration on core business:** Enterprises review their portfolios, strengthen areas in which they have an advantage and may withdraw from less competitive activities. Mergers, acquisitions and strategic alliances can provide scale, expertise or access to markets.
- **Development of human resources:** Managements invest in training and developing employees so that they can handle new technology, improved work methods and changing customer expectations. Skilled and adaptable employees support competitiveness.
- **Market orientation:** Businesses plan production and marketing in response to demand and competition. They explore new domestic and overseas markets and form suitable collaborations where these improve their competitive position.

Step 4: Conclusion Privatisation expands private-sector participation and reduces government participation in business. Indian business houses have responded to the resulting competitive environment through customer orientation, greater efficiency, technological upgrading, restructuring, employee development and more active market strategies.

Quick Tip to Solve: Start with the ownership and participation meaning of privatisation, then explain how firms change their operations and strategy to face stronger competition.

18. What is meant by 'controlling" ? Briefly explain any three steps in the process of controlling.

[5 marks]

Solution:

Concept:

- Controlling is the management function of ensuring that actual performance conforms to planned standards. It compares results with standards, identifies deviations and initiates corrective action.
- Controlling is closely linked with planning: plans supply the standards against which performance

is judged. Its purpose is to secure organisational objectives through effective use of resources.

Step 1: State the meaning of controlling Controlling means measuring actual performance, comparing it with the standards laid down in plans and taking corrective action wherever necessary. A manager checks whether activities are proceeding as intended, finds the reasons for significant differences and acts to improve results. Thus, controlling does not end with discovering mistakes; it helps bring performance into conformity with organisational goals.

Step 2: Explain three steps in the controlling process

- **Setting performance standards:** Standards are the criteria against which actual performance will be evaluated. They should be clear, specific and, wherever possible, measurable, such as a production target, a permissible cost or a delivery time. Qualitative standards may be used for aspects such as employee morale. Standards must be realistic so that comparison provides a useful basis for control.
- **Measurement of actual performance:** The manager obtains reliable information about what has actually been achieved. Personal observation, sample checks, performance reports and accounting records may be used. Performance should be measured in the same terms as the standards and at suitable intervals, so that a deviation can be detected before it becomes serious.
- **Comparison of actual performance with standards:** Actual results are compared with the predetermined standards to establish whether there is a deviation and how large it is. For example, actual output is compared with planned output for the same period. This comparison shows where further analysis and corrective action may be necessary; it makes the assessment objective rather than a matter of guesswork.

Step 3: Conclusion Controlling ensures that performance follows plans. Setting standards, measuring actual performance and comparing actual results with standards are three steps in this process; deviations identified through them provide the basis for subsequent corrective action.

Quick Tip to Solve: Present the steps in their process order: first establish the yardstick, then measure the result, and then compare the two.

19. What is meant by 'financial management' ? Explain any three decisions involved in financial management. [5 marks]

Solution:

Concept:

- Financial management is concerned with the efficient procurement and utilisation of funds. It determines how much finance the business needs, where it should come from and how it should be used.
- Investment, financing and dividend decisions are the three major financial decisions. Their common objective is to increase shareholders' wealth while balancing risk, return and the enterprise's financial requirements.

Step 1: Define financial management Financial management means planning, procuring and controlling the financial resources of a business so that funds are available when required and are

used efficiently. It seeks to obtain finance at an appropriate cost and invest it in suitable activities. Sound financial management avoids both a shortage of funds, which can interrupt operations, and unnecessary idle funds, which do not earn an adequate return.

Step 2: Explain the three financial decisions

- **Investment decision:** This concerns the assets in which the firm's funds should be invested. Long-term investment decisions, or capital budgeting decisions, include selecting projects such as a new plant or machinery after examining expected cash flows, returns and risks. Short-term investment decisions concern current assets and working capital, such as stocks, debtors and cash. These choices influence the firm's earning capacity and liquidity.
- **Financing decision:** This concerns the sources from which the required funds should be raised and the appropriate combination of owners' funds and borrowed funds. Management compares alternatives such as equity shares, retained earnings, debentures and loans, considering their cost, risk, control implications and repayment commitments. The choice of debt and equity affects both the financial risk and the return available to shareholders.
- **Dividend decision:** This concerns how much of the profit should be distributed to shareholders as dividend and how much should be retained in the business for future needs. Management considers earnings, cash availability, growth opportunities and shareholders' expectations. Retained profit provides internal finance, while dividend gives shareholders a current return; a suitable balance is therefore necessary.

Step 3: Conclusion Financial management ensures the efficient raising and use of business funds. Its three decisions determine where funds are invested, how they are financed and how profits are divided between dividends and retained earnings.

Quick Tip to Solve: Link each decision to one question: Where should funds go? Where should funds come from? How much profit should be distributed?

20. Explain the meaning of Fixed Capital. Briefly explain any four factors that determine the fixed capital of a company. [5 marks]

Solution:

Concept:

- Fixed capital is the part of a company's capital invested in fixed assets such as land, buildings, plant, machinery and equipment. These assets are used repeatedly in business over a long period rather than being purchased for immediate resale.
- The amount of fixed capital depends on the long-term assets needed to carry out the company's operations. It must be distinguished from working capital, which finances day-to-day requirements such as inventory and wages.

Step 1: Explain the meaning of fixed capital **Meaning:** Funds invested in fixed assets constitute fixed capital. For example, a manufacturer needs finance to acquire its factory premises and production machinery before it can begin regular production. Such investment provides benefits over several years, so the funds are committed for a long period and should normally be raised from long-term

sources.

Step 2: Explain four factors determining fixed capital

- **Nature of business:** A manufacturing company generally requires substantial investment in factories, plant and machinery and therefore needs more fixed capital. A trading concern mainly buys and sells goods and ordinarily needs comparatively less investment in such assets.
- **Scale of operations:** A company operating on a large scale needs greater production capacity, larger premises and more equipment than a small enterprise. Consequently, its fixed capital requirement is usually higher.
- **Choice of technique:** A capital-intensive production technique relies heavily on machinery and automation and requires more fixed capital. A labour-intensive technique uses relatively more labour and less machinery, reducing the investment required in fixed assets.
- **Growth prospects:** A company expecting rapid expansion needs additional plant, premises and production capacity to meet future demand. It therefore requires more fixed capital than a company whose operations are expected to remain at their existing level.

Step 3: Conclusion Fixed capital represents long-term investment in fixed assets. The nature of business, scale of operations, choice of production technique and growth prospects determine how much such investment a company needs.

Quick Tip to Solve: Link each factor to a change in the need for land, buildings or machinery; this keeps a fixed-capital answer distinct from a working-capital answer.

21(a). Does planning have limitations ? Explain any five such limitations. [6 marks]

Solution:

Concept:

- Planning means deciding in advance what to do, how to do it, when to do it and who is to do it. It sets objectives and selects a course of action for achieving them.
- Planning is essential, but it does have limitations. Its usefulness depends on realistic assumptions, flexibility and effective implementation; merely preparing a plan cannot ensure that objectives will be achieved.

Step 1: State whether planning has limitations Yes, planning has limitations. A plan is prepared for the future on the basis of forecasts and assumptions, whereas actual business conditions may change. The process also consumes resources and can restrict initiative if managers treat the chosen course as unchangeable. Five limitations are explained below.

Step 2: Explain five limitations of planning

- **Planning leads to rigidity:** Once a detailed plan has been adopted, managers may insist on following it even when circumstances call for a change. Such inflexibility restricts initiative and makes it difficult to modify the course of action quickly. A plan should guide action without preventing necessary adaptation.
- **Planning may not work in a dynamic environment:** Business conditions include changing technology, consumer preferences, competition and government policies. Plans based on existing

conditions may become unsuitable when these external forces change unexpectedly. A company cannot control every change on which its forecasts depend.

- **Planning reduces creativity:** When plans are formulated mainly by top management and subordinates are expected only to implement them, employees may have little opportunity to suggest new methods. Routine adherence to instructions can discourage independent thinking and the development of better alternatives.
- **Planning involves huge costs:** Collecting information, conducting research, consulting experts and evaluating alternative courses of action involve expenditure. These costs must be justified by the benefits expected from the plan; an elaborate planning exercise is wasteful if its benefits are smaller than its cost.
- **Planning is a time-consuming process:** Reliable information must be gathered, alternatives examined and decisions coordinated before a plan is finalised. This takes time and may delay action. In an urgent situation, an opportunity may be lost if managers spend too long preparing the plan.

Step 3: Conclusion Planning does have limitations: it may create rigidity, become ineffective in a dynamic environment, reduce creativity, involve heavy costs and consume considerable time. Managers should recognise these limitations while preparing realistic and flexible plans.

Quick Tip to Solve: Explain each limitation by showing how it obstructs action or decision-making; a list of headings alone does not explain the limitations of planning.

OR

21(b). Explain why planning is necessary for effective management. [6 marks]

Solution:

Concept:

- Planning means deciding in advance what is to be done and how it is to be done. It specifies objectives and selects a suitable course of action for attaining them.
- Planning is the primary management function: organising, staffing, directing and controlling are guided by the objectives and courses of action laid down in plans.

Step 1: Explain how planning guides and prepares action

- **Provides direction:** Plans state the objectives to be achieved and indicate the actions required. Employees know what they must do, so departmental and individual efforts move towards common organisational goals rather than unrelated targets.
- **Reduces the risk of uncertainty:** Planning requires managers to look ahead and anticipate changes in demand, competition and other conditions. They can prepare suitable responses and alternatives. It cannot eliminate uncertainty, but it reduces avoidable surprises and prepares the organisation to face them.
- **Reduces overlapping and wasteful activities:** A clear plan coordinates the work of departments and individuals. It identifies responsibilities and the sequence of activities, preventing duplication, confusion and unnecessary expenditure of time and resources.

Step 2: Explain how planning improves managerial decisions and control

- **Promotes innovative ideas:** While deciding future action, managers examine different ways of achieving objectives. This deliberate thinking encourages new ideas, improved methods and better use of opportunities instead of mechanically repeating past practice.
- **Facilitates decision making:** Planning involves identifying alternative courses of action, evaluating their likely costs and benefits and choosing the most suitable one. Clear objectives provide a basis for judging alternatives, making subsequent managerial decisions more purposeful.
- **Establishes standards for controlling:** Plans lay down expected results, such as output, cost or completion targets. Managers compare actual performance with these standards, identify deviations and take corrective action. Without planned standards, they cannot reliably judge whether performance is satisfactory.

Step 3: Conclusion Planning is necessary for effective management because it provides direction, prepares the organisation for uncertainty, prevents waste, encourages innovation, improves decisions and supplies the standards needed for control. It connects present action with desired future results.

Quick Tip to Solve: Explain each benefit as a link between a planned objective or action and a managerial improvement; do not merely list the headings.

22(a). Define the term 'decentralisation'. Outline any four points of its importance for organisations.

[6 marks]

Solution:

Concept:

- Decentralisation is the systematic delegation of authority throughout the organisation, down to its lower levels, while central management retains authority over major policies and overall control.
- It extends decision-making discretion beyond a few senior managers. Its importance lies in developing people and enabling the organisation to respond effectively at the level where work is performed.

Step 1: Define decentralisation and distinguish its scope **Meaning:** Decentralisation means dispersing decision-making authority systematically to lower levels of management. Departmental and operating managers receive discretion to make decisions concerning their assigned responsibilities, within the policies and limits set by top management.

It is wider than an isolated delegation by one superior to one subordinate: delegation occurs in individual working relationships, whereas decentralisation reflects an organisation-wide policy of distributing authority. Top management continues to set overall direction and exercise control; distributing authority does not mean abandoning responsibility for organisational results.

Step 2: Outline four points of importance

- **Develops initiative among subordinates:** When lower-level managers have authority to decide matters in their own areas, they must use judgement and find solutions instead of referring every issue upwards. This strengthens confidence, self-reliance and a willingness to accept responsibility for results.

- **Develops managerial talent for the future:** Making and implementing decisions gives junior managers practical experience. They learn to assess alternatives, handle consequences and improve their abilities. The organisation thereby prepares a pool of capable managers for more demanding positions and future expansion.
- **Facilitates quick decision making:** Decisions can be made close to the point of action by managers familiar with local conditions. Routine matters need not travel repeatedly through several levels for approval, reducing delays and allowing a timely response to operating problems and customer needs.
- **Relieves top management:** Senior managers are freed from many routine operating decisions that lower levels can handle. They can devote more attention to major policies, long-term planning and strategic matters, while receiving reports and retaining overall supervision of performance.

Step 3: Conclusion Decentralisation is a systematic dispersal of decision-making authority to lower organisational levels. It encourages initiative, develops future managers, speeds up decisions and enables top management to concentrate on major organisational issues.

Quick Tip to Solve: Define decentralisation as a systematic organisational policy, then give four separate benefits with a brief explanation of how each arises.

OR

22(b). What is meant by 'delegation of authority' ? Explain any three elements of delegation of authority. [6 marks]

Solution:

Concept:

- Delegation of authority means entrusting a subordinate with part of a manager's work and granting the authority needed to perform it. It enables the subordinate to act on the manager's behalf within specified limits.
- The three elements are authority, responsibility and accountability. Authority is the right to act, responsibility is the obligation to perform, and accountability is answerability for the outcome. Delegation does not remove the superior's ultimate accountability.

Step 1: Define delegation of authority A manager cannot personally perform every organisational activity. The manager therefore assigns a definite task to a subordinate, gives the subordinate the necessary decision-making rights and expects satisfactory performance. This process is delegation of authority. For example, a sales manager may entrust a sales supervisor with arranging a local sales campaign and permit expenditure within an approved budget. The manager continues to supervise the work and remains answerable to higher management.

Step 2: Explain authority **Authority:** Authority is the right vested in a managerial position to issue orders, make decisions and use organisational resources to achieve objectives. It flows downwards from a superior to a subordinate through the formal hierarchy. When delegating a task, the superior must grant enough authority for its performance; a supervisor entrusted with a campaign needs permission to direct the assigned staff and use the approved funds. Authority is limited by the scope

of the assignment and organisational policies, so it does not give unrestricted freedom to act.

Step 3: Explain responsibility **Responsibility:** Responsibility is the subordinate's obligation to carry out the assigned task properly. It arises from the superior-subordinate relationship and requires effort and satisfactory performance. The employee receiving the sales-campaign assignment must organise the work and fulfil its stated purpose. Responsibility flows upwards in the sense that the subordinate is responsible to the superior. Authority and responsibility should be balanced: inadequate authority prevents effective performance, while excessive authority without corresponding responsibility may be misused.

Step 4: Explain accountability **Accountability:** Accountability means being answerable for the final outcome of the assigned work. It arises from responsibility and requires the subordinate to report and justify results to the superior. The sales supervisor must explain how the campaign was conducted and why the results were achieved. Accountability flows upwards and cannot be delegated away. Although the sales manager delegates the campaign, the manager remains ultimately accountable to higher management for the work of the sales department.

Step 5: Conclusion Delegation combines assignment of work with the grant of necessary authority. Its three elements are authority, responsibility and accountability; the subordinate performs and reports on the task, while the superior retains ultimate accountability.

Quick Tip to Solve: Remember the three elements as right, duty and answerability: authority permits action, responsibility requires performance and accountability requires an explanation of results.

23(a). What is the meaning of 'training' ? Explain any four needs of training. [6 marks]

Solution:

Concept:

- Training is the systematic process of increasing the knowledge and skills of employees for performing a particular job. It improves present job performance through learning and practice.
- Training is needed when employees join an organisation, when work methods change and when existing performance needs improvement. It helps the organisation build an efficient workforce rather than depend on learning entirely through trial and error.

Step 1: State the meaning of training Training is a planned effort to impart the job-related knowledge, skills and abilities that employees need to perform their duties effectively. Its focus is a particular job, such as teaching a machine operator the correct operating procedure or teaching a salesperson how to demonstrate a product. It is more than merely giving instructions: practice and guidance help the employee use the correct method consistently. The following are four needs of training.

Step 2: Prepare new employees for their jobs **Equipping new employees:** A newly recruited employee may have general qualifications but lack knowledge of the organisation's actual procedures, machines and performance standards. Training bridges the gap between existing ability and job requirements. It explains how the work is to be done, allows supervised practice and helps the employee become productive sooner. It also reduces avoidable mistakes that arise when a beginner has to discover the correct procedure without guidance.

Step 3: Help employees adopt changed methods and technology **Meeting technological and operational changes:** New machinery, computerised systems, products and work methods may make existing skills insufficient. Employees need training to operate new equipment and follow revised procedures confidently. For instance, an employee familiar with manual records may require instruction and practice before using a computerised inventory system. Training keeps the workforce's skills suited to current work requirements and helps the organisation obtain the benefit of its investment in new technology.

Step 4: Improve efficiency and quality of performance **Increasing efficiency:** Existing employees may need refresher or corrective training to remove weaknesses in their performance. Knowledge of the correct method helps them complete work faster and more accurately, with better quality and less wastage of materials, time and effort. Systematic training is preferable to repeated trial and error because it teaches sound practices at the outset. As employees become proficient, routine tasks require less close supervision, allowing supervisors to attend to other managerial duties.

Step 5: Promote safe working and reduce accidents **Ensuring safety:** Employees who handle machines, tools or materials need to learn safe operating procedures and precautions. Training explains correct handling, the use of protective equipment where required and the action to take in an emergency. This reduces accidents caused by ignorance or improper operation and helps prevent damage to equipment. A trained employee is better able to recognise hazards and carry out the job safely, protecting both people and organisational resources.

Step 6: Conclusion Training systematically improves the knowledge and skills needed for a particular job. It is needed to prepare new employees, adapt employees to changed technology and methods, improve efficiency and quality, and promote safety by reducing accidents.

Quick Tip to Solve: Organise the needs of training around joining, change, better performance and safety; explain how each need affects the employee's actual job.

OR

23(b). Briefly explain the different methods of training. [6 marks]

Solution:

Concept:

- Training is the systematic development of the knowledge and skills needed to perform a particular job effectively. The choice of method depends on the work, the learner's experience and the facilities available.
- On-the-job methods teach employees while they perform actual work. Off-the-job methods take them away from normal production so that they can concentrate on learning without disrupting operations.

Step 1: Explain the on-the-job methods

- **Apprenticeship training:** A trainee works under the guidance of an experienced master worker for a prescribed period to learn a skilled trade. Practical work is combined with the necessary

theoretical instruction. It is suitable for trades such as electrician, plumber and mechanic, where proficiency develops through supervised practice.

- **Coaching:** An experienced superior personally guides a subordinate in doing the job. The coach demonstrates the work, sets learning goals, observes performance and gives corrective feedback. Individual attention helps the employee remove specific weaknesses while learning the organisation's actual procedures.
- **Internship training:** An educational institution and a business enterprise cooperate to give students practical experience alongside their theoretical studies. Students work in the organisation for a specified period and learn how classroom knowledge is applied in real situations.
- **Job rotation:** The employee moves systematically from one job, department or assignment to another. Exposure to different duties develops a broader understanding of operations and their relationships, increases versatility and prepares the employee for wider responsibilities.

Step 2: Explain the off-the-job methods

- **Vestibule training:** Employees learn in a separate training area equipped with machines and tools similar to those at the workplace. They acquire practical skills under instructors without interrupting regular production or exposing normal operations to beginners' mistakes.
- **Classroom lectures and conferences:** An instructor explains principles, procedures and job-related knowledge to a group. Lectures convey information economically, while conferences and discussions allow participants to exchange experiences and clarify doubts. These methods are useful for theoretical and conceptual learning.
- **Films and demonstrations:** Audio-visual presentations show the correct sequence of operations or depict situations that may be difficult to reproduce before every trainee. They make processes easier to understand and can be combined with discussion and practical demonstration.
- **Programmed instruction:** The subject is divided into small, logically sequenced units. After studying each unit, the learner answers a question or completes an activity and receives feedback before proceeding. This allows learning at an individual pace with regular checks on understanding.

Step 3: Conclusion Training may therefore be provided through actual work experience, as in apprenticeship, coaching, internship and job rotation, or away from normal work, as in vestibule training, classroom instruction, films and programmed instruction. An organisation selects and combines methods to suit the skills it needs to develop.

Quick Tip to Solve: Classify each method by where learning takes place, then state how it works and the kind of learning it develops. Distinguish vestibule training's simulated workplace from apprenticeship's supervised actual work.

24(a). Explain any six functions of marketing. [6 marks]

Solution:

Concept:

- Marketing consists of activities that identify customer needs and satisfy them through the creation and exchange of products and services. Its functions extend from studying the market to providing support after a sale.
- Marketing functions are interdependent: information guides the product decision, while packaging, branding and pricing help present an appropriate offering to the target customers.

Step 1: Explain the functions that shape the offering

- **Gathering and analysing market information:** A marketer collects and studies information about customers' needs, buying habits, competitors and market trends. This helps identify opportunities and threats and provides a basis for decisions about what to offer, whom to serve and how to compete. For example, research into consumers' preference for convenient packs can guide a suitable package size.
- **Marketing planning:** The enterprise specifies its marketing objectives and decides the programmes and actions needed to achieve them. A plan may identify the target market, desired sales, promotional activities and distribution arrangements. Planning coordinates these efforts so that resources support a common goal rather than unrelated activities.
- **Product designing and development:** The marketer decides the features, quality, design, size and other characteristics of the product in light of customer requirements. A useful, attractive and reliable design improves the value offered to buyers and can distinguish the product from competitors' offerings. Development also includes improving existing products when needs change.

Step 2: Explain the functions that present and value the offering

- **Packaging and labelling:** Packaging designs and produces the container or wrapper that protects the product during handling, storage and transport and makes it convenient to use. An attractive package also supports promotion. Labelling identifies the product and supplies relevant information, such as contents, quantity, instructions for use and statutory declarations, helping customers make informed decisions.
- **Branding:** Branding gives a product a distinctive name, sign, symbol or design so that customers can identify it and differentiate it from competing products. It supports recognition, repeat purchase and customer loyalty and helps the firm build a reputation for consistent quality. A brand is therefore more than a decorative name: it gives the offering a recognisable identity.
- **Pricing of products:** Pricing determines the amount a customer must pay for the product. The decision takes account of costs, demand, competition, the firm's objectives and the value perceived by customers. An appropriate price must be acceptable to the target buyers while helping the enterprise recover costs and earn a reasonable return; it also influences demand and the product's market position.

Step 3: Conclusion Six functions of marketing are gathering and analysing market information, marketing planning, product designing and development, packaging and labelling, branding, and pricing. Together they help the enterprise understand buyers and develop an identifiable offering at a suitable price.

Quick Tip to Solve: For a functions question, name each activity and explain the work it performs. Follow the sequence from understanding the market to planning, designing, presenting and pricing the product.

OR

24(b). "Advertising misleads customers and increases the cost of products." Do you agree with this statement ? Give reasons in support of your answer. [6 marks]

Solution:

Concept:

- Marketing Management: advertising is a paid, non-personal presentation and promotion of goods, services or ideas by an identified sponsor.
- Its social effects must be judged separately from its legitimate informative role. Misleading claims and additional selling expenditure are common objections, but they are not inevitable consequences of all advertising.

Step 1: State a balanced position on the statement I agree that misleading advertising and excessive expenditure can harm consumers, but I do not agree with the statement as a universal judgement about every advertisement. The following reasons explain both the objections and their limitations.

Misleading claims: Some advertisements exaggerate a product's quality, performance or benefits, or conceal important conditions. A consumer who relies on such a claim may buy a product that does not meet the expectation created by the advertisement. This is a valid objection to dishonest advertising.

Informative advertising: Advertising can also provide truthful information about features, uses, prices and availability. It makes buyers aware of alternatives and helps them compare products. Thus, misleading consumers is an abuse of advertising rather than its necessary purpose.

Need for truthful communication: Advertisements should give verifiable claims and material information. Consumers should examine claims critically, while responsible advertisers and consumer-protection measures should discourage false representations. Condemning every advertisement would also discard its useful communication function.

Step 2: Examine the effect on product costs **Additional selling expenditure:** Designing advertisements and purchasing media space or time cost money. If the expenditure does not generate sufficient additional sales, it raises the cost borne by the business and can contribute to a higher selling price. This explains the cost objection in the statement.

Economies of large-scale operations: Effective advertising can increase demand and sales volume. Larger production and sales may spread fixed expenses over more units and allow economies of scale. The resulting reduction in cost per unit can offset the advertising expenditure, so a higher consumer price is not inevitable.

Competition and choice: Advertising makes competing brands and their offers known. Buyers can compare value, and competing firms have an incentive to improve quality or offer attractive prices. Whether the final price rises therefore depends on sales expansion, production economies and competition, rather than on advertising expenditure alone.

Step 3: Conclusion The statement identifies real possible abuses, but is too sweeping. Dishonest advertisements can mislead and wasteful advertising can raise costs; truthful and effective advertising informs consumers and may reduce unit costs through larger sales. Advertising should therefore be evaluated by the accuracy of its claims and its actual economic effects.

Quick Tip to Solve: Discuss each objection separately: misleading claims versus useful information, and advertising expense versus the economies created by higher sales.

25(a). Explain any three ways or means of consumer protection available in India. [6 marks]

Solution:

Concept:

- Consumer Protection: protecting consumers means safeguarding them against unfair trade practices, defective goods, deficient services and other forms of exploitation.
- Protection requires preventive action as well as remedies. Business self-regulation, consumer awareness and organised consumer action are three important ways available in India.

Step 1: Explain self-regulation by business **Self-regulation by business:** A responsible business voluntarily follows fair and ethical practices in its dealings with consumers. It recognises that satisfying customers and protecting their interests support goodwill and long-term survival, whereas exploitation damages confidence in the firm.

It should supply products of the promised quality, charge fair prices, provide accurate labels and advertisements, and honour warranties and after-sales commitments. A firm can maintain a consumer-service or grievance cell to receive complaints and settle genuine grievances promptly. Business associations can also frame codes of conduct for their members. Such preventive action reduces the need for consumers to seek external relief, although it does not replace their legal rights.

Step 2: Explain consumer awareness **Consumer awareness:** An informed consumer knows the rights, responsibilities and remedies available and is less likely to be exploited. Education through schools, media, public campaigns and consumer literature can teach buyers how to examine product information and recognise unfair practices.

An aware buyer checks quality or standardisation marks where applicable, price, quantity, manufacture and expiry dates, and terms of use. The buyer obtains and preserves a cash memo and warranty documents, compares alternatives and complains when the seller fails to fulfil a legitimate obligation. Awareness turns legal protection into practical protection because consumers can identify a grievance and support it with evidence.

Step 3: Explain the role of consumer organisations **Consumer organisations:** Voluntary consumer organisations and non-government organisations provide collective support that an individual buyer may lack. They educate consumers about rights and responsibilities, publish useful information and draw attention to undesirable business practices.

They may arrange product testing, guide consumers in preparing complaints, assist in seeking redressal, and take suitable complaints before consumer redressal agencies. They also represent consumer interests before public authorities and encourage improvements in standards and protective measures. By pooling information and effort, they make consumer protection more accessible, particularly to buyers unfamiliar with the complaint process.

Step 4: Conclusion Three ways of consumer protection are self-regulation by business, consumer awareness and consumer organisations. They protect consumers respectively through fair business conduct, informed individual action and organised education, representation and assistance in obtaining redressal.

Quick Tip to Solve: For each means, name who acts and explain how that action prevents exploitation or helps the consumer obtain relief.

OR

25(b). Briefly explain any three rights of a consumer available under the Consumer Protection Act, 1986. [6 marks]

Solution:

Concept:

- Consumer Protection: The Consumer Protection Act, 1986 recognises rights that protect consumers against exploitation and enable them to make informed purchases.
- Any three recognised rights may be explained. The right to safety, right to be informed and right to seek redressal protect the consumer before purchase, during the purchase decision and after a grievance arises, respectively.

Step 1: Explain protection against dangerous products

- **Right to safety:** A consumer has the right to be protected against the marketing of goods and services that are hazardous to life and property. Products should be safe for their intended use, and necessary precautions should be communicated to users.
- For example, an unsafe electrical appliance can cause a shock or fire. The consumer can expect appropriate safety standards and should prefer products bearing relevant quality certification, such as the ISI mark where applicable. This right places safety above merely obtaining a low price.

Step 2: Explain access to complete product information

- **Right to be informed:** A consumer has the right to complete information about a product's quality, quantity, potency, purity, standard and price. Such information enables a rational choice and protects the buyer against unfair trade practices and misleading claims.
- For example, the package of a food product should disclose relevant details such as its ingredients, net quantity, manufacturing and expiry information, and maximum retail price. By reading these details, the consumer can compare alternatives and avoid an unsuitable or overpriced product.

Step 3: Explain the remedy when a consumer suffers a loss

- **Right to seek redressal:** A consumer has the right to seek relief against unfair trade practices, restrictive trade practices or unscrupulous exploitation. A genuine grievance concerning defective goods or deficient services can be taken to the appropriate consumer redressal agency.
- Depending on the case, relief may include removal of the defect, replacement of the goods, refund of the price or compensation for loss or injury. For example, when a newly purchased appliance is defective and the seller does not resolve the complaint, the consumer can seek an appropriate remedy, supported by the bill and other evidence.

Step 4: Conclusion Three rights available under the Consumer Protection Act, 1986 are the right to safety, the right to be informed and the right to seek redressal. Together, they protect consumers from hazardous products, inadequate information and unresolved exploitation or loss.

Quick Tip to Solve: Explain each right by pairing its meaning with a practical example: safe appliance, complete product label, and remedy for a defective purchase.