CBSE Class 12 Business Studies Question Paper 2014 with Solution PDF-Set 66/1 - Compartment

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

Time Allowed: 3 hours **Maximum Marks: 90**

General Instructions

(i) Answers to questions carrying **1 mark** may be from **one word to one sentence**.
(ii) Answers to questions carrying **3 marks** may be from **50 – 75 words**.
(iii) Answers to questions carrying **4 – 5 marks** may be about **150 words**.
(iv) Answers to questions carrying **6 marks** may be about **200 words**.
(v) Attempt all parts of a question together.

1. Name the level of management that is responsible for the welfare and survival of the organisation.

[1 mark]

Solution:

Concept:

- Top management is the highest level in the managerial hierarchy.
- It has overall responsibility for the organisation as a whole, rather than for only one department.

Step 1: Identify the scope of responsibility The words welfare and survival concern the continued existence and success of the entire organisation. They therefore point to the level which sets overall objectives and integrates the efforts of all departments.

Step 2: Name the responsible level Top management, such as the board of directors and the chief executive, determines broad policies and strategies and is responsible for the welfare and survival of the organisation.

Step 3: Conclusion The level is **top management**.

Quick Tip to Solve: Associate overall survival and organisation-wide policies with top management.

2. Why is it said that business environment is uncertain ? [1 mark]

Solution:

Concept:

- The business environment includes external forces affecting business decisions and performance.
- Uncertainty means that the future course of these external forces cannot be predicted accurately.

Step 1: Identify the source of uncertainty External forces such as technology, consumer preferences and competitive actions change over time. Their future timing, direction and effects cannot always be assessed correctly in advance.

Step 2: Relate change to prediction Because these changes are difficult to predict, especially when they occur rapidly, a business cannot be certain about the conditions under which it will operate. This makes its environment uncertain.

Step 3: Conclusion Business environment is uncertain because future environmental changes are difficult to predict accurately, particularly when changes are frequent and rapid.

Quick Tip to Solve: Explain uncertainty through difficulty of prediction, rather than merely saying that change occurs.

3. 'Deciding in advance what to do and how to do is one of the basic management functions.' Give the meaning of this function. [1 mark]

Solution:

Concept:

- Planning is a basic management function concerned with deciding future action in advance.
- It links the objectives to be achieved with the most appropriate course of action.

Step 1: Identify the management function The expression deciding in advance what to do and how to do it describes planning. It requires a manager to think before acting instead of leaving action entirely to immediate circumstances.

Step 2: State its meaning Planning means setting objectives for a specified period and deciding in advance the appropriate course of action to achieve those objectives. It involves selecting among available alternatives.

Step 3: Conclusion **Planning** means setting objectives and deciding in advance the appropriate course of action for achieving them.

Quick Tip to Solve: A definition of planning should include both objectives and the course of action to achieve them.

4. Name the type of plan which is in the form of general statements, that guides thinking towards a particular direction and helps in solving routine problems. [1 mark]

Solution:

Concept:

- Policies are general statements that guide thinking and decision-making.
- A policy provides a broad framework within which managers exercise discretion.

Step 1: Match the description to the plan The question describes a general statement which directs thinking and helps deal with routine problems. This is a policy because it guides decisions rather than prescribing every individual action.

Step 2: Distinguish guidance from a sequence A procedure specifies a sequence of steps, while a rule permits no discretion about the stated action. Here the emphasis is on a broad direction for thinking, so policy is the appropriate term.

Step 3: Conclusion The type of plan is a **policy**.

Quick Tip to Solve: General guidance for thinking indicates a policy; a fixed sequence indicates a procedure.

5. Distinguish between functional structure and divisional structure on the basis of 'formation'.

[1 mark]

Solution:

Concept:

- Organisation structure groups work and establishes relationships among positions.
- Functional and divisional structures differ in the basis used to form departments.

Step 1: Identify the comparison basis Formation asks how activities are grouped into organisational units. Compare the grouping of similar functions with the grouping of activities relating to a particular product.

Step 2: Present the distinction

Basis	Functional structure	Divisional structure
Formation	Formed by grouping similar functions, such as production, marketing and finance.	Formed by grouping activities related to each product into a separate division.

Step 3: Conclusion Functional structure is formed on the basis of functions; divisional structure is formed on the basis of products.

Quick Tip to Solve: For formation, compare the basis of grouping: functions versus products.

6. What is meant by 'formal organisation' ?

[1 mark]

Solution:

Concept:

- Formal organisation is deliberately created by management to achieve organisational objectives.
- It specifies official duties, authority, responsibility and reporting relationships.

Step 1: Identify its deliberate nature The word formal refers to the structure consciously designed by management. It is established to coordinate work and achieve the organisation's objectives, rather than arising spontaneously from personal interaction.

Step 2: State the defining relationships It lays down who performs each duty, who has authority to give instructions, and who is accountable to whom. These prescribed relationships form the official structure of the organisation.

Step 3: Conclusion **Formal organisation** is the structure of authority and responsibility deliberately designed by management to achieve organisational objectives.

Quick Tip to Solve: Mention deliberate creation and official authority-responsibility relationships when defining formal organisation.

7. How does staffing improve job satisfaction and morale of employees ? State. [1 mark]

Solution:

Concept:

- Staffing places suitable people in suitable jobs and develops their abilities.
- Fair personnel practices and opportunities for career advancement support satisfaction and morale.

Step 1: Connect staffing with suitability and fairness Staffing selects people suited to their jobs and uses objective assessment of performance. Fair remuneration and fair decisions about promotion help employees feel that their contribution is recognised.

Step 2: Explain the effect on employees Opportunities for training, development and career advancement allow employees to improve and progress. Appropriate placement and fair rewards increase job satisfaction and strengthen their confidence and morale.

Step 3: Conclusion Staffing improves job satisfaction and morale through suitable placement, objective assessment, fair remuneration and opportunities for career advancement.

Quick Tip to Solve: Link employee morale to fair rewards and career opportunities, not merely to filling vacancies.

8. How does directing initiate action ? State. [1 mark]

Solution:

Concept:

- Directing is the management function that guides, instructs, motivates and leads employees to achieve organisational objectives.
- Planning determines what should be done; directing activates the people who must actually do it.

Step 1: Identify the link with performance Plans and organisational arrangements alone do not make employees perform their assigned work. People need guidance about how to carry out their duties.

Step 2: Explain how action begins Through instructions, supervision, motivation and leadership, a manager guides subordinates to start performing the tasks assigned to them. Directing therefore translates plans into actual work.

Step 3: Conclusion Directing initiates action by guiding, instructing and motivating employees to carry out their assigned tasks towards organisational goals.

Quick Tip to Solve: Link the word initiate with employees actually starting work: directing puts prepared plans into action.

9. Give any two examples of 'Employee Recognition' as a non-financial incentive. [1 mark]

Solution:

Concept:

- Employee recognition means acknowledging and appreciating an employee's good performance.
- Recognition satisfies esteem needs through appreciation and status rather than a cash payment.

Step 1: Give an example of personal appreciation A manager may congratulate an employee for good performance in front of colleagues. Public praise acknowledges the contribution and makes the employee feel valued.

Step 2: Give an example of formal recognition The organisation may give the employee a certificate of appreciation for outstanding performance. Such recognition records and honours the achievement without being a monetary reward.

Step 3: Conclusion Two examples are publicly congratulating an employee for good performance and awarding a certificate of appreciation.

Quick Tip to Solve: Choose examples that honour achievement; a cash bonus is a financial incentive, rather than employee recognition in this sense.

10. What is meant by 'Management by Exception' in the process of controlling ? [1 mark]

Solution:

Concept:

- Management by exception is a controlling principle under which only significant deviations from standards are brought to the attention of higher management.
- Routine deviations within prescribed limits can be handled at lower levels, conserving managerial time.

Step 1: Compare actual results with standards Control involves measuring performance and comparing it with predetermined standards. Differences may occur, but every small difference does not need the personal attention of a senior manager.

Step 2: Focus attention on significant deviations Only deviations beyond the acceptable or prescribed limit are reported to the manager concerned for corrective action. For example, a minor variation within tolerance need not be escalated, whereas a large adverse variation must be examined.

Step 3: Conclusion Management by exception means directing managerial attention only to significant deviations that go beyond the prescribed limits of performance.

Quick Tip to Solve: Remember the exception is a deviation outside tolerance; it does not mean ignoring every deviation or abandoning control.

11. On which type of products is ISI mark used ? [1 mark]

Solution:

Concept:

- Quality certification marks help consumers identify products meeting prescribed standards.
- In the consumer-protection classification, the ISI mark is associated with industrial products.

Step 1: Identify the product category The question asks for the category of goods bearing the ISI mark. The expected category is industrial products, such as electrical appliances and cement.

Step 2: Connect the mark with consumer choice The mark indicates conformity with the relevant Indian Standard. A consumer can look for it when choosing such goods; it is distinct from the AGMARK certification associated with agricultural products.

Step 3: Conclusion The ISI mark is used on industrial products, for example electrical appliances and cement.

Quick Tip to Solve: For this textbook classification, remember ISI for industrial products and AGMARK for agricultural products.

12. 'The consumer has a right to acquire knowledge and to be a well informed consumer throughout life.'

State what type of knowledge is required by the consumer in the above stated 'Right'. [1 mark]

Solution:

Concept:

- The quoted statement describes the right to consumer education: the right to acquire knowledge and remain an informed consumer.
- Consumer education includes knowledge of consumer rights, responsibilities and the remedies available against exploitation.

Step 1: Identify the right in the quotation The words 'acquire knowledge' and 'well informed consumer throughout life' point to the right to consumer education.

Step 2: State the knowledge the consumer needs The consumer should know the rights available to consumers, the responsibilities to exercise while buying and using goods or services, and the reliefs or redressal remedies available when those rights are violated. This knowledge helps the consumer make informed choices and seek relief against unfair practices.

Step 3: Conclusion The consumer requires knowledge of consumer rights, consumer responsibilities and the reliefs or remedies available in case of exploitation.

Quick Tip to Solve: For consumer education, recall three linked ideas: rights, responsibilities and available remedies.

13. Pawan is working as a 'Production Manager' in CFL Ltd. engaged in manufacturing of CFL bulbs. There is no class-conflict between the management and workers. The working conditions are very good. The company is earning huge profits. As a policy matter, management is sharing the gains with the workers because they believe that prosperity of the company cannot exist for a long time without the prosperity of the employees.

(a) State the principle of management described in the above para.

(b) Identify any two values which the company wants to communicate to the society. [3 marks]

Solution:

Concept:

- Taylor's principle of harmony, not discord calls for cordial relations and a unity of interests between management and workers.
- The principle requires a mental revolution: both sides should recognise their mutual dependence and work for the prosperity of the enterprise and its employees.

Step 1: Identify and explain the management principle **(a) Harmony, not discord:** The case states that there is 'no class-conflict between the management and workers' and that management shares its gains with workers. These facts show that the two sides cooperate rather than regard one another as opponents. Taylor stressed that the prosperity of the employer cannot exist for long without the prosperity of employees. Management should share the gains of the enterprise, while workers should contribute wholeheartedly to its progress.

Step 2: Identify the first value with evidence **(b) Concern for employee welfare:** The company provides 'very good' working conditions. This shows concern for the well-being and dignity of its workers instead of treating them merely as a means of earning profit.

Step 3: Identify the second value with evidence **Fairness and sharing of prosperity:** Management is 'sharing the gains with the workers'. The company recognises employees' contribution and believes that the benefits of business success should also reach them. This communicates equitable treatment and mutual prosperity to society.

Step 4: Conclusion The principle is harmony, not discord. Two values conveyed are concern for employee welfare and fairness in sharing the gains of prosperity.

Quick Tip to Solve: Use the absence of class conflict to identify harmony, and support each value with a separate fact from the case.

14. Telco Ltd. is manufacturing files and folders from the old clothes to discourage use of plastic files and folers. For this they employ people from nearby villages where very less job opportunities are available. An employee, Harish, designed a plan for the cost reduction but it was not welcomed by the production manager. Another employee gave some suggestion for improvement in design, but it was also not appreciated by the production manager.

(a) State the principle of management described in the above para.

(b) Identify any two values that the company wants to communicate to the society. [3 marks]

Solution:

Concept:

- Fayol's principle of initiative means that employees should be encouraged to develop and carry out plans for improvement within the organisation.
- Business values are reflected in decisions that protect the environment and improve the welfare of people affected by the enterprise.

Step 1: Identify and explain the principle **(a) Initiative:** Employees should be given opportunities to think of useful plans, make suggestions and participate in implementing them. This develops their confidence, sense of belonging and willingness to contribute. Here Harish's plan for cost reduction "was not welcomed" and the suggestion for improving the design "was also not appreciated". Thus the production manager is violating the principle of initiative by discouraging employees' constructive ideas.

Step 2: Connect the company's actions with two values **(b) Environmental protection:** Manufacturing files and folders from old clothes to "discourage use of plastic" communicates concern for the environment. Reusing material and reducing reliance on plastic help conserve resources and reduce waste.

Social responsibility and concern for employment: Employing people from nearby villages "where very less job opportunities are available" communicates concern for disadvantaged communities. The company provides a means of earning a livelihood where employment opportunities are scarce.

Step 3: Conclusion The principle is initiative, which the production manager violates. The two values communicated by the company's manufacturing and employment policies are environmental protection and social responsibility through employment generation.

Quick Tip to Solve: Link rejected employee suggestions to initiative; identify values separately from the company's use of old clothes and its employment of villagers.

15. 'Wealth-maximisation' is the primary objective of financial management. Explain. [3 marks]

Solution:

Concept:

- Financial management aims to maximise shareholders' wealth, which is represented by the market value of their investment in the company's equity shares.
- A sound financial decision balances the expected return with the risk involved and seeks to increase

the value of the firm over time.

Step 1: State what wealth maximisation means **Maximise the market price of equity shares:** Shareholders are the owners of a company. Their wealth rises when the market value of the shares they hold increases. Therefore, the primary financial objective is to maximise the current market price of the company's equity shares, rather than merely increase the accounting profit reported for one period.

Step 2: Explain how financial decisions serve this objective **Choose decisions that create value:** Investment, financing and dividend decisions should be evaluated by their effect on shareholders' wealth. Funds should be invested where the expected benefits justify the cost and risk; the financing mix should keep the cost of funds reasonable without imposing excessive financial risk.

Consider returns and risk together: The market assesses the likely future earnings of a company as well as the uncertainty attached to them. A decision that promises higher earnings but brings disproportionate risk may reduce the share price. Hence financial management seeks a favourable balance between risk and return, improving the long-term value of shareholders' investment.

Step 3: Conclusion Wealth maximisation is the primary objective because financial decisions ultimately aim to increase the market value of equity shares and thereby increase the wealth of the company's owners.

Quick Tip to Solve: Start with "maximisation of the market price of equity shares", then explain how the balance of risk and return determines that value.

16. Give the meaning of 'Investment decision' and 'Dividend decision'. [3 marks]

Solution:

Concept:

- Financial management involves decisions about where funds should be invested and how the earnings generated should be distributed or retained.
- Investment decisions concern the asset side of the business, whereas dividend decisions concern the allocation of profits between shareholders and the business.

Step 1: Explain investment decision **Investment decision:** It is the decision about how the firm's funds are to be invested in different assets so that the business earns an appropriate return. It includes long-term investment in fixed assets, known as capital budgeting decisions, and short-term investment in current assets, known as working capital decisions. For example, purchasing a new plant is a long-term investment decision, while determining the funds to be held in inventory or receivables is a short-term investment decision. Such decisions determine the firm's earning capacity and the risks associated with its assets.

Step 2: Explain dividend decision **Dividend decision:** It is the decision about how much of the profit earned by the company, after paying tax, should be distributed to shareholders as dividend and how much should be retained in the business for reinvestment. For example, a company may distribute part of its earnings as dividend and retain the remainder to finance expansion. The decision balances shareholders' expectations of income with the company's need for funds and takes account of the

overall objective of maximising shareholders' wealth.

Step 3: Conclusion An investment decision allocates funds among assets; a dividend decision allocates after-tax earnings between dividends to shareholders and retained earnings for future business needs.

Quick Tip to Solve: Remember the distinction through the questions "Where will funds be used?" for investment and "How will profits be divided?" for dividend.

17. Give the meaning of the following money market instruments :

(i) Treasury Bill; and

(ii) Call Money. [3 marks]

Solution:

Concept:

- The money market deals in short-term funds and monetary assets whose maturity is up to one year. Its instruments help borrowers meet temporary financing requirements and lenders employ surplus funds.
- Treasury bills raise short-term funds for the Central Government, whereas call money enables banks to borrow and lend funds for a very short period.

Step 1: Explain Treasury Bills **(i) Treasury Bill:** A Treasury bill is a short-term borrowing instrument issued by the Reserve Bank of India on behalf of the Central Government to meet its short-term requirement of funds. Its maturity is less than one year. It is a highly liquid and virtually risk-free instrument because the repayment is backed by the government. Treasury bills are issued at a discount to their face value and redeemed at par. The difference between the purchase price and the face value received on maturity is the investor's return; they do not carry a regular coupon payment. For this reason, they are also called zero-coupon bonds.

Step 2: Explain Call Money **(ii) Call Money:** Call money is short-term finance, repayable on demand, used mainly by banks to meet temporary shortages of funds and maintain their required cash reserves. Banks with surplus funds lend to banks needing funds in the inter-bank market. The borrowing is generally for one day and may extend to a very short period, up to fifteen days in the textbook description. The interest paid is called the call rate, which changes with the demand for and supply of funds. Thus, unlike a Treasury bill, it is primarily a mechanism for adjusting banks' immediate liquidity.

Step 3: Conclusion A Treasury bill is a discounted short-term government borrowing instrument, while call money is very short-term inter-bank finance repayable on demand.

Quick Tip to Solve: Associate Treasury bills with the government's short-term borrowing and call money with banks' immediate cash-reserve and liquidity needs.

18. 'You don't close a sale, you open a relationship, if you want to build a long-term successful enterprise.' Identify the communication tool used by the marketer. State any two features of this communication tool. [3 marks]

Solution:

Concept:

- Personal selling is a promotional communication tool involving personal interaction between a seller and a prospective buyer for the purpose of making a sale.
- Its personal nature allows the seller to understand the buyer's needs, clarify doubts and develop a continuing relationship rather than treating the transaction as an isolated sale.

Step 1: Identify the communication tool from the statement The tool is **personal selling**. The words "you open a relationship" and "long-term successful enterprise" emphasise the personal relationship between the salesperson and the customer. By understanding a customer's needs and providing suitable information and assistance, a salesperson can earn trust and encourage repeat purchases. The aim is therefore to establish an ongoing association as well as secure the immediate sale.

Step 2: State two features of personal selling **1. Personal form of communication:** Personal selling involves direct personal contact between the seller and the buyer. This enables the salesperson to observe the buyer's reactions, understand individual requirements and tailor the sales presentation accordingly. It also provides an opportunity to develop a personal relationship with the customer.

2. Development of relationship: Personal selling permits many kinds of relationships to develop between the salesperson and the prospective buyer, ranging from a purely selling relationship to a close personal friendship. A good salesperson keeps the customer's interests in mind, helps resolve difficulties and maintains contact after the sale. Such attention builds confidence and supports a lasting business relationship.

Step 3: Conclusion The communication tool is personal selling. Its personal form of communication and its ability to develop relationships explain why it can help build a long-term successful enterprise.

Quick Tip to Solve: When a case stresses personal contact, trust and a continuing buyer-seller relationship, identify personal selling and connect each feature to that interaction.

19. Explain any four characteristics of coordination. [4 marks]

Solution:

Concept:

- Coordination is the process of integrating the activities of different departments and individuals so that they work harmoniously towards organisational objectives.
- It is the essence of management: it links individual efforts with group goals and runs through planning, organising, staffing, directing and controlling.

Step 1: Explain integration and unity of action **1. Coordination integrates group efforts:** Employees and departments perform different tasks and may pursue their own immediate targets. Coordination brings these separate efforts together into a purposeful whole. For example, production and sales

activities must be linked so that what is produced matches what can be sold.

2. Coordination ensures unity of action: It gives a common direction to the activities of different units. By connecting departmental plans and actions with the overall organisational goal, it prevents conflicting efforts and makes their contributions reinforce one another. Different departments retain their specialised work but act towards the same objective.

Step 2: Explain continuity and pervasiveness **3. Coordination is a continuous process:** It is required throughout the life of an organisation, rather than only when a conflict arises. It begins with planning and continues through implementation and control. As circumstances and activities change, managers must keep adjusting the links between tasks, resources and people.

4. Coordination is an all-pervasive function: It is needed at every level of management and in every department. Top managers coordinate overall plans, middle managers link departmental activities, and supervisors coordinate the work of employees. Thus, neither a single department nor one managerial level can be left outside the coordinating process.

Step 3: Conclusion Four characteristics of coordination are integration of group efforts, unity of action, continuity and pervasiveness. Together, they make specialised individual and departmental efforts contribute to common organisational goals.

Quick Tip to Solve: Remember the sequence "integrate efforts, unite action, continue throughout, apply everywhere" and explain each characteristic separately.

20. "The Indian corporate sector has come face-to-face with several challenges due to government policy changes in business and industry." Explain any four such changes. [4 marks]

Solution:

Concept:

- Liberalisation, privatisation and globalisation changed the conditions in which Indian firms operated. Reduced restrictions and greater international participation created opportunities as well as challenges.
- The question concerns the impact of government policy changes on business and industry. The changes should therefore explain how the competitive environment and the demands on firms altered.

Step 1: Explain the changes in competition and customers **1. Increasing competition:** Liberalisation reduced industrial licensing and other restrictions, allowing more firms to enter many industries. Globalisation also brought foreign firms into Indian markets. Indian enterprises consequently faced stronger domestic and international competition and had to improve quality, efficiency and cost control to protect their market share.

2. More demanding customers: Greater competition increased the variety and quality of goods and services available to buyers. Customers became better informed and could compare alternatives. Firms could no longer depend on limited consumer choice; they had to respond to expectations of better quality, reasonable prices, reliable service and greater value for money.

Step 2: Explain technological change and the need to adapt **3. Rapidly changing technological**

environment: Increased competition encouraged firms to develop and adopt improved technology, products and production processes. Businesses that continued with outdated methods risked losing to more efficient competitors. They therefore needed investment in modernisation, research and employee training to use new technology effectively.

4. Necessity for change: With policy reforms, markets became more dynamic and less protected. Firms had to modify their policies, practices, products and organisational arrangements in response to changing conditions. Merely continuing established ways of working was insufficient; enterprises needed flexibility and a readiness to restructure operations to survive and grow.

Step 3: Conclusion Four changes confronting the Indian corporate sector were increasing competition, more demanding customers, rapid technological change and the necessity for continuous adaptation. Each required firms to become more efficient, responsive and competitive.

Quick Tip to Solve: For an impact-of-policy question, name each business challenge and explain its effect on firms; do not stop at defining liberalisation, privatisation and globalisation.

21. How does planning 'Lead to rigidity' and 'Reduce creativity' ? Explain. [4 marks]

Solution:

Concept:

- Planning decides in advance what is to be done, how it is to be done and who will do it. It gives direction, but a predetermined course of action can also restrict flexibility.
- Rigidity concerns the difficulty of changing an established plan, while reduced creativity concerns the limited opportunity for employees to develop and use their own ideas.

Step 1: Explain how planning leads to rigidity **Predetermined course of action:** A detailed plan lays down objectives, methods and the time schedule in advance. Managers and employees are expected to follow it, so they may have little freedom to respond differently to a new situation.

Difficulty in adapting: Business conditions may change after a plan is prepared. A rigid commitment to the original plan can prevent timely adjustment to changing customer preferences, technology or competition. Continuing with an unsuitable plan merely because it was approved can therefore harm the organisation. Managers need flexibility to revise plans when circumstances require it.

Step 2: Explain how planning reduces creativity **Planning concentrated at the top:** In many organisations, top management prepares plans and lower levels mainly implement them. Employees may consequently be expected to carry out decisions rather than develop alternative ways of doing the work.

Loss of initiative: When employees only follow instructions, their independent thinking, suggestions and innovative ideas receive little scope. They may stop taking initiative because their task is to implement a plan already made by others. Thus planning can reduce creativity if participation and freedom to suggest improvements are not encouraged.

Step 3: Conclusion Planning leads to rigidity when adherence to a fixed course obstructs adjustment to changing conditions. It reduces creativity when employees merely implement plans made at higher levels instead of contributing their own ideas.

Quick Tip to Solve: Link rigidity to changing a plan, and reduced creativity to employees' freedom to generate ideas; explain these as two distinct limitations.

22. What is meant by 'Consumer Protection' ? Also state how consumer protection is important from the point of view of consumers. [4 marks]

Solution:

Concept:

- Consumer protection means safeguarding consumers against unfair trade practices and exploitation, educating them about their rights and responsibilities, and providing effective means of redressal of their grievances.
- From the consumer's viewpoint, protection is necessary because of consumer ignorance, the unorganised nature of consumers and widespread exploitation by sellers.

Step 1: State the meaning of consumer protection Consumer protection covers measures that safeguard the interests of buyers of goods and services. It seeks to prevent practices such as adulteration, misleading advertisements and sale of defective goods, and enables an aggrieved consumer to seek relief. Its scope includes consumer education as well as protection and redressal, so consumers can make informed choices and act when their interests are harmed.

Step 2: Explain its importance from the consumers' viewpoint **Consumer ignorance:** Many consumers are unaware of their rights and of the remedies available when those rights are violated. Consumer protection educates them about their rights, responsibilities and ways to obtain relief, enabling them to protect their interests rather than silently accept an unfair practice.

Unorganised consumers: Consumers are widely scattered and are often unorganised, whereas producers and traders may possess substantial resources and bargaining strength. Consumer organisations and protection measures help individual consumers represent their grievances and safeguard their common interests.

Widespread exploitation of consumers: Unscrupulous sellers may supply adulterated or defective goods, use false weights, overcharge or make misleading claims. Protection is needed to check such practices and provide relief against the resulting loss or injury. It gives consumers a means to challenge exploitation instead of depending entirely on the seller's willingness to help.

Step 3: Conclusion Consumer protection safeguards buyers' interests through education, prevention of unfair practices and grievance redressal. It is especially important because consumers may be ignorant of their rights, unorganised and exposed to widespread exploitation.

Quick Tip to Solve: After defining consumer protection, recall the three consumer-side reasons: ignorance, lack of organisation and exploitation; keep business-side benefits out of this answer.

23. State the benefits of training to the organisation. [5 marks]

Solution:

Concept:

- Training is the systematic development of the knowledge, skills and abilities needed to perform a specific job effectively. Under staffing, it prepares employees to meet the organisation's work requirements.

- Benefits to the organisation concern improvements in its productivity, staffing capability, costs, stability and adaptability. They should be distinguished from personal benefits such as an employee's higher earnings or promotion prospects.

Step 1: State the gains in efficiency and future staffing **Systematic learning reduces wastage:** Training gives employees an organised way to learn correct methods instead of relying only on trial and error. It prevents avoidable mistakes and wastage of materials, money and effort while employees learn their jobs.

Higher employee productivity: Trained employees have better job knowledge and skills, so they can complete work more efficiently and produce better-quality output. This raises productivity in both quantitative and qualitative terms and contributes to higher organisational profits.

Preparation of future managers: Training equips potential managers with the skills needed for greater responsibility. It helps the organisation develop people who can take over when present managers retire or leave, ensuring continuity and reducing disruption from managerial vacancies.

Step 2: State the gains in stability and adaptability **Higher morale and lower turnover:** Training increases employees' confidence and satisfaction because they understand their work and can perform it competently. Improved morale helps reduce absenteeism and employee turnover, allowing the organisation to retain an experienced and dependable workforce.

Effective response to a changing environment: Training enables employees to understand new technology and adopt improved methods of work. By updating their skills, the organisation can adjust to technological and other environmental changes instead of continuing with obsolete practices.

Step 3: Conclusion Training benefits the organisation through systematic learning with less wastage, higher productivity, a supply of future managers, improved morale with lower absenteeism and turnover, and better adaptation to change. It therefore supports both present performance and future organisational needs.

Quick Tip to Solve: For organisational benefits, link each point to a business result: less waste, more output, managerial continuity, staff stability or adaptability. Avoid substituting personal gains such as higher individual earnings.

24. 'Controlling is an indispensable function of management.' Explain this statement with the help of any five points. [5 marks]

Solution:

Concept:

- Controlling is the management function of comparing actual performance with predetermined standards, identifying deviations and taking corrective action. It ensures that activities proceed towards planned organisational objectives.
- It is indispensable because planning alone cannot ensure results. Managers must monitor execution, find the causes of significant differences and correct them; the feedback also improves future plans and standards.

Step 1: Explain how control supports goals, standards and resources **Accomplishing organisational goals:** Controlling measures progress towards organisational objectives and reveals deviations from the planned course. Managers can then take corrective action so that activities remain directed towards the desired results rather than allowing errors to continue unchecked.

Judging the accuracy of standards: A control system helps management verify whether established standards remain realistic and accurate. If comparisons reveal that a standard is unsuitable in changed circumstances, managers review it. This helps management set practical standards and improves subsequent planning.

Making efficient use of resources: Control compares the use of human and physical resources with expected performance and checks avoidable waste. Employees are expected to work according to predetermined standards, so resources are used effectively and economically rather than being consumed without attention to results.

Step 2: Explain how control supports employees and coordination **Improving employee motivation:** Clear performance standards tell employees what is expected and how their work will be evaluated. When employees understand the basis of appraisal, they can direct their effort towards the required results. This clarity motivates them to improve their performance.

Facilitating coordination in action: Controlling provides direction to the activities of different departments and employees by assessing them against predetermined standards. Each unit's work is brought into line with organisational objectives, which helps integrate separate efforts and achieve coordinated action across the organisation.

Step 3: Conclusion Controlling is indispensable because it helps accomplish goals, tests the accuracy of standards, promotes efficient resource use, improves employee motivation and facilitates coordination. By connecting planned targets with actual results and corrective action, it makes management effective in practice.

Quick Tip to Solve: For each importance point, explain what control does and the resulting benefit. Keep "judging standards" distinct from "achieving goals": the former checks the target itself, while the latter checks progress towards it.

25. Differentiate between 'Capital Market' and 'Money Market' on the following basis :

(i) Expected Return;

(ii) Security;

(iii) Liquidity;

(iv) Duration; and

(v) Instruments. [5 marks]

Solution:

Concept:

- Financial markets channel savings to users of funds. The capital market supplies medium- and long-term finance, whereas the money market meets short-term funding needs.
- Compare the markets on each specified basis. Expected return is what an investor anticipates

earning, security concerns the risk of losing funds, and liquidity is the ease of converting an investment into cash.

Step 1: Identify the nature of the two markets Capital-market investments finance longer-term activities, such as expansion and investment in fixed assets. Money-market instruments finance temporary needs, such as working-capital shortages. Their different maturities and risks explain the differences in return, safety and liquidity.

Step 2: Present the five differences

Basis	Capital market	Money market
Expected return	Expected returns are generally higher. Investors may receive interest or dividends and may also earn capital gains as security prices rise.	Expected returns are comparatively lower because funds are invested for short periods and the instruments generally carry lower risk.
Security	Securities are comparatively riskier: returns and market prices may fluctuate, and repayment or income is less certain.	Instruments are comparatively safer, owing to their short maturity and the financial standing of their issuers. This does not mean that every instrument is risk-free.
Liquidity	Securities are liquid when a secondary market exists, but are generally less liquid than money-market instruments. Finding a buyer may take time or require a price concession.	Instruments enjoy a high degree of liquidity; their short maturity and institutional arrangements facilitate conversion into cash.
Duration	Deals in medium- and long-term funds, generally for periods exceeding one year. Shares have no fixed maturity.	Deals in short-term funds and instruments with maturity up to one year.
Instruments	Examples include equity shares, preference shares, debentures and bonds.	Examples include Treasury bills, commercial paper, call money, certificates of deposit and commercial bills.

Step 3: Conclusion The capital market offers longer-term investment opportunities with generally higher expected returns and higher risk. The money market provides short-term instruments that are generally safer and more liquid, with comparatively lower expected returns.

Quick Tip to Solve: Use the five bases in the question as the table's row headings. Link long duration with higher risk and expected return, and short duration with greater safety and liquidity.

26. There are a number of factors that affect the fixation of price of a product. State any five such factors. [5 marks]

Solution:

Concept:

- Price is the amount a buyer pays for a product. It is the element of the marketing mix that generates revenue, and it must be fixed with reference to both the firm's costs and conditions in its market.
- Pricing is influenced by internal factors, such as costs and objectives, as well as external factors, such as demand, competition and government regulation. Any five relevant factors may be stated.

Step 1: State the cost and demand factors **1. Product cost:** The total cost of producing, distributing and selling the product influences its price. In the long run, the price should cover the firm's costs and provide a reasonable profit. Fixed and variable costs must therefore be considered rather than only the direct manufacturing expense.

2. Utility and demand: The utility customers perceive and the intensity of demand affect the price they are willing to pay. A product offering greater perceived benefits may command a higher price. Where demand is highly price-sensitive, an increase in price may reduce sales substantially, limiting the firm's freedom to charge more.

Step 2: State the competitive, regulatory and objective factors **3. Extent of competition in the market:** Competitors' prices, the quality of their products and their likely responses affect the firm's pricing decision. Intense competition usually restricts the price that can be charged. A differentiated product may give the firm more freedom, but substitute products still influence customer choice.

4. Government and legal regulations: The firm must comply with applicable price controls and other legal requirements. Where the government regulates the price of essential goods or intervenes to protect buyers against unfair practices, the firm cannot fix its price solely according to its own preference.

5. Pricing objectives: The price depends on the firm's objective. A firm aiming to gain market share may set a relatively low price to attract buyers, while one seeking product-quality leadership may charge a premium consistent with superior quality. A firm pursuing survival may temporarily accept a low margin, whereas a profit objective requires attention to both revenue and cost.

Step 3: Conclusion Five factors affecting price fixation are product cost, utility and demand, the extent of competition, government and legal regulations, and pricing objectives. Together they determine a feasible price that customers will accept and that serves the firm's purpose.

Quick Tip to Solve: Recall cost, customer demand, competition, government and company objectives. State each factor by name and add how it affects the price rather than merely listing five headings.

27(a). Besides 'Effective management' and 'Employee development' delegation helps the organisation in different ways. Explain any four such ways. [6 marks]

Solution:

Concept:

- Delegation transfers authority from a superior to a subordinate so that assigned tasks can be carried out. The superior remains accountable for overall performance.
- Besides effective management and employee development, delegation promotes motivation, organisational growth, a clear management hierarchy and coordination.

Step 1: Explain motivation of employees and facilitation of growth

- **Motivation of employees:** When a manager entrusts a subordinate with responsibility and the authority to perform a task, it communicates confidence in that person's ability. Being trusted with important work gives employees recognition and a feeling of achievement. It satisfies their need for esteem and encourages initiative and commitment. Thus, delegation can improve morale and willingness to contribute rather than leaving employees as mere followers of orders.
- **Facilitation of growth:** Delegation creates a pool of capable and experienced employees who can accept greater responsibility. When the enterprise expands, opens new branches or undertakes new activities, these employees can take up managerial positions. Consequently, the organisation is better equipped to grow without depending on a single manager for every decision. This is the organisational growth benefit, rather than merely the development of an individual employee.

Step 2: Explain the basis of hierarchy and better coordination

- **Basis of management hierarchy:** Delegation establishes superior-subordinate relationships throughout an organisation. The extent and flow of delegated authority determine who reports to whom and the authority available at each managerial level. Employees understand the person from whom they receive instructions and to whom they must report performance. These formal relationships provide the framework of the management hierarchy.
- **Better coordination:** Delegation clearly defines duties, authority and accountability for different positions. Each employee knows the work expected and the powers available to complete it. Such clarity reduces duplication, overlap and gaps in work, while helping employees understand how their tasks relate to those of others. The resulting orderly relationships help the various activities contribute to common organisational objectives.

Step 3: Conclusion The four additional benefits of delegation are motivation of employees, facilitation of growth, establishment of the management hierarchy and better coordination. Each follows from assigning clear responsibilities with the authority needed to discharge them.

Quick Tip to Solve: Since the question excludes effective management and employee development, organise the answer under the remaining four NCERT headings: motivation, growth, hierarchy and coordination.

OR

27(b). 'Decentralisation is an important philosophy that implies selective dispersal of authority.' In the light of this statement, explain any four points of importance of decentralisation. [6 marks]

Solution:

Concept:

- Decentralisation means the systematic dispersal of decision-making authority to lower managerial levels. Top management retains authority over major policy decisions while other decisions are taken nearer the level of action.
- It is a philosophy of management because it reflects confidence in employees' abilities and a preference for sharing authority throughout the organisation. Selective dispersal does not mean that every power is transferred.

Step 1: Explain initiative and development of managerial talent

- **Develops initiative among subordinates:** Decentralisation gives lower-level managers freedom to decide how to handle matters within their authority. Instead of waiting for instructions on every issue, they identify problems and choose a course of action themselves. This builds self-reliance, confidence and a sense of responsibility. Employees become willing to take initiative because they know that their judgement has a recognised role in the organisation.
- **Develops managerial talent for the future:** Managers at lower levels gain practical experience in making decisions and accepting responsibility for the results. They learn to analyse situations, compare alternatives and exercise judgement. The experience prepares them for more demanding managerial positions and gives the organisation a pool of competent managers for future needs. Learning occurs through actual decision-making rather than observation alone.

Step 2: Explain quicker decisions and relief to top management

- **Quick decision-making:** Authority is placed near the point where action is required. The person who knows the local conditions can make an appropriate decision without referring every matter upwards through a long chain of communication. Fewer upward references reduce delay, allowing a quicker response to operational problems and changing circumstances. This benefit depends on decisions remaining within the authority entrusted to that level.
- **Relief to top management:** Lower-level managers decide routine and operating matters assigned to them. Senior managers are therefore freed from having to settle every minor issue personally. They can devote more time to policy formulation, strategic planning, coordination and other major matters affecting the enterprise as a whole. Top management still retains overall direction and control; relief does not imply abandoning responsibility.

Step 3: Conclusion Decentralisation is important because it develops initiative, prepares future managerial talent, speeds up decisions and relieves top management. Selectively sharing decision-making authority therefore strengthens both day-to-day functioning and the organisation's managerial capacity.

Quick Tip to Solve: Link each benefit to decision-making at lower levels: freedom builds initiative, practice builds talent, proximity saves time, and fewer routine references free senior managers.

28(a). 'The functions and performance of the supervisor are vital to an organisation because he is directly related with the workers whereas other managers have no direct touch with bottom level workers.' In the light of this statement, explain any four functions of a supervisor. [6 marks]

Solution:

Concept:

- Supervision means overseeing subordinates at work and giving them instructions and guidance so that work is performed according to organisational plans.
- A supervisor occupies the first level of management. Direct contact with workers enables the supervisor to translate management's decisions into action and communicate workers' difficulties upward.

Step 1: Explain contact and guidance at the workplace **Maintaining day-to-day contact and friendly relations with workers:** The supervisor works close to the operating employees, observes their work and understands their abilities and difficulties. Through regular contact and guidance, the supervisor helps them follow the correct methods and creates a supportive working atmosphere. Workers can seek clarification immediately instead of continuing with an incorrect procedure. This direct relationship explains the statement that the supervisor is "directly related with the workers".

Step 2: Explain the link between workers and management **Acting as a link between workers and management:** The supervisor explains management's plans, policies and instructions to workers in understandable terms. In the other direction, the supervisor conveys workers' grievances, suggestions and problems to higher management. This two-way link reduces misunderstanding: workers understand what management expects, while management learns about practical difficulties at the operating level. Thus, decisions and workplace realities are connected.

Step 3: Explain coordination and group unity **Maintaining group unity:** The supervisor stays in close contact with members of the work group and helps settle differences among them. By resolving disputes and encouraging cooperation, the supervisor prevents personal disagreements from interrupting work. Employees learn to work together towards common targets, rather than allowing conflicting interests to reduce the group's effectiveness. Harmonious relations also make it easier to allocate work and secure assistance among workers.

Step 4: Explain responsibility for work performance **Ensuring performance of work according to targets:** The supervisor gives instructions, checks progress and sees whether work meets the prescribed quantity, quality and time requirements. If employees face difficulty or depart from the expected method, the supervisor provides guidance and takes corrective action. Because the supervisor is accountable for the group's performance, this continuing attention helps convert organisational plans into actual results and ensures that assigned work is completed satisfactorily.

Step 5: Conclusion Direct contact with employees enables a supervisor to maintain friendly working relations, link workers with management, preserve group unity and ensure achievement of work targets. These four functions make supervision vital at the operating level.

Quick Tip to Solve: For a question on supervision, explain each function through what the supervisor actually does with workers; do not merely list the general functions of management.

OR

28(b). Describe personal barriers to effective communication. [6 marks]

Solution:

Concept:

- Personal barriers arise from the attitudes, emotions, beliefs and motives of the sender or receiver. They obstruct communication even when an appropriate channel and understandable language are available.
- Effective communication requires willingness both to convey information honestly and to receive and understand it. Personal concerns may prevent either side from participating openly.

Step 1: Explain barriers arising from superiors' attitudes **Fear of challenge to authority:** A superior may fear that particular information will weaken the superior's position or make subordinates question decisions. To protect authority, the superior may withhold, suppress or distort that information. Subordinates then receive an incomplete picture and cannot communicate freely or act with a proper understanding of the situation.

Lack of confidence of the superior in subordinates: If a superior doubts subordinates' competence or judgment, the superior may refuse to seek their advice and disregard their suggestions. Useful information and ideas from the operating level consequently do not receive a fair hearing. Employees may also stop offering suggestions when they repeatedly find that their contributions are not trusted.

Step 2: Explain barriers arising from reluctance and incentives **Unwillingness to communicate:** Subordinates may be unwilling to disclose information when they believe that doing so could adversely affect their interests. For example, an employee may avoid reporting an error for fear of criticism or punishment. Such reluctance prevents accurate and timely upward communication, leaving management unaware of problems that require attention.

Lack of proper incentives: Employees may not take the initiative to communicate useful suggestions when there is no encouragement, appreciation or reward for doing so. If a constructive suggestion attracts neither recognition nor any other incentive, employees may feel that sharing ideas is pointless. Valuable suggestions for improvement therefore remain unexpressed, even though employees possess the relevant knowledge.

Step 3: Conclusion The main personal barriers are fear of challenge to authority, lack of confidence in subordinates, unwillingness to communicate and lack of proper incentives. Each prevents the open exchange of information because of the people involved and their perceptions or motives.

Quick Tip to Solve: Identify personal barriers by asking whose attitude blocks the message: a superior's fear or distrust, or an employee's reluctance or lack of encouragement.

29(a). Explain how the following factors affect the working capital requirements of a business :

(i) Inflation;

(ii) Business cycle;

(iii) Level of competition; and

(iv) Nature of business. [6 marks]

Solution:

Concept:

- Working capital finances the day-to-day operations of a business, including inventories, receivables and cash. Net working capital is the excess of current assets over current liabilities.
- A factor increases the requirement when more money must remain invested in current assets or when recovery of cash from sales takes longer. Its effect must be linked to the operating needs of the business.

Step 1: Explain the effect of inflation and the business cycle **(i) Inflation:** A general rise in prices increases the amount needed to purchase the same quantity of raw materials and other operating inputs. Higher wages and operating expenses also require more cash. Consequently, the business normally needs more working capital to maintain its existing scale of operations, even when the physical volume of production does not increase. The exact increase depends on the prices of the inputs used and the firm's ability to pass higher costs on to customers.

(ii) Business cycle: During a boom, demand rises, so the business expands production and sales. It must hold larger stocks of materials and finished goods and may have more money outstanding from customers. Working capital requirements therefore increase. During a depression, demand and production generally decline; lower inventories and a smaller volume of operations normally reduce the requirement. The relevant effect is the change in operating activity across the cycle.

Step 2: Explain the effect of competition and the nature of business **(iii) Level of competition:** Intense competition may compel a firm to maintain larger stocks so that customers can obtain goods promptly. It may also have to offer liberal credit terms to attract and retain buyers. Larger inventories and receivables tie up more funds, increasing the working capital requirement. With less competition, the firm may operate with lower stocks and stricter credit terms, reducing this need.

(iv) Nature of business: A trading business generally needs substantial working capital to hold the goods it buys for resale, while its investment in fixed assets may be relatively small. A trading business generally needs less working capital than a manufacturing business of comparable scale because it has no processing cycle: it buys and sells finished goods directly. A manufacturing business additionally needs funds for raw materials, work-in-progress, finished goods and receivables during production and sale. A service business usually holds little inventory and can therefore operate with comparatively less working capital, other conditions being similar. Thus, the type of operating activities determines how much money is tied up in current assets.

Step 3: Conclusion Inflation, a business boom and stronger competition generally raise working capital needs. The nature of business determines the inventories, production expenditure and customer credit that must be financed; service enterprises generally need less inventory-related working capital than trading and manufacturing enterprises.

Quick Tip to Solve: For each factor, trace its effect on inventory, receivables or operating cash before stating whether working capital rises or falls.

OR

29(b). Explain any four factors affecting the choice of capital structure of a company. [6 marks]

Solution:

Concept:

- Capital structure is the proportion of debt and equity used to finance a company's long-term funds. Debt involves contractual interest and repayment obligations, whereas equity does not require fixed dividend payments.
- The company must balance financing cost and the possible benefit of debt against financial risk. Its ability to service debt is therefore central to choosing a suitable mix of debt and equity.

Step 1: Examine cash flow and interest coverage **1. Cash flow position:** Before borrowing, a company should project the cash generated by its operations and the cash needed to meet its commitments. It must have enough cash for ordinary business expenditure, interest payments and repayment of principal when due. A company with strong, reasonably predictable cash flows can use more debt because it is better placed to meet these fixed obligations. Weak or uncertain cash flows favour greater reliance on equity, which does not impose compulsory interest and principal payments. Accounting profit alone is insufficient if cash is not available when payment falls due.

2. Interest coverage ratio: This ratio compares earnings before interest and tax with the interest payable. A higher ratio indicates a larger cushion of earnings available to pay interest and suggests that the company can consider using more debt. A low ratio indicates that even a small fall in operating earnings may make interest payment difficult, so additional borrowing would be risky and equity may be preferable. The ratio considers interest coverage; it does not by itself establish whether sufficient cash will be available to repay principal.

Step 2: Examine debt-service coverage and return on investment **3. Debt service coverage ratio:** This compares cash earnings available for debt service with the total obligation of interest and repayment of principal. It is a broader measure of debt-servicing ability than interest coverage because principal instalments are also considered. A higher ratio indicates greater ability to meet both types of payment and permits greater use of debt. A low ratio restricts borrowing and supports the use of more equity to avoid pressure on the company's cash resources.

4. Return on investment: The company should compare the return it earns on its investment with the cost of debt. If the return on investment is higher than the interest cost of borrowing, using debt can increase the earnings available per equity share; this is the favourable effect of financial leverage, or trading on equity. If the return is lower than the interest cost, debt reduces the earnings available to equity shareholders. A low or uncertain return therefore calls for caution in using debt, even if borrowing initially appears inexpensive.

Step 3: Conclusion Four factors are cash flow position, interest coverage ratio, debt service coverage ratio and return on investment. Strong servicing capacity and a return exceeding debt cost can support a higher debt proportion, while weak coverage and uncertain returns favour greater use of equity.

Quick Tip to Solve: Distinguish the coverage measures: interest coverage checks interest, while debt-service coverage also considers repayment of principal.

30(a). Describe the role of 'Public Relations' in the promotion of products and services. [6 marks]

Solution:

Concept:

- Public relations means managing communication and relationships with the public so that the organisation earns understanding, confidence and goodwill. Its public includes customers, employees, investors, government and the community.
- As a promotion tool, public relations creates a favourable image of the organisation and its products through credible information and constructive contact. It supports advertising and personal selling rather than merely seeking an immediate sale.

Step 1: Explain the communication role **Press relations:** The organisation supplies truthful, newsworthy information to the media through press releases, briefings and interviews. Favourable coverage makes the public aware of its activities and products. Because the message appears as news rather than a paid sales appeal, it can carry substantial credibility.

Product publicity: Public relations helps publicise new products, improvements and significant uses through suitable news stories, events and demonstrations. This draws attention to the offering and generates interest among potential buyers without relying only on conventional advertisements.

Corporate communication: Reports, newsletters, speeches and other communications explain the organisation's objectives, achievements and responsibilities to its internal and external public. Consistent information improves understanding and creates confidence in the organisation behind the product.

Step 2: Explain how relationships build goodwill **Relations with government and legislators:** Public relations maintains dialogue with public authorities and communicates the organisation's legitimate concerns regarding laws and regulations. This is often called lobbying. It helps authorities understand the business perspective and helps the business explain its conduct responsibly.

Counselling management: Public relations specialists advise management about public attitudes, sensitive issues and the likely effect of decisions on the organisation's image. Such advice helps management respond to criticism and prevent avoidable damage to its reputation.

Building acceptance and defending reputation: Community programmes, educational activities and support for worthwhile causes can strengthen goodwill. During adverse publicity, timely, accurate explanations help remove misunderstandings. A favourable reputation also makes consumers more receptive to product information and helps reinforce the efforts of the sales force and advertising.

Step 3: Conclusion Public relations promotes products and services by creating awareness, providing credible information and building trust in the organisation. Press relations, product publicity, corporate communication, government relations and management counselling together help develop a favourable image and sustained public acceptance.

Quick Tip to Solve: Link every public relations activity to its promotional result: news creates awareness, communication builds confidence, and constructive relationships create goodwill.

OR

30(b). Explain the four important elements of marketing mix. [6 marks]

Solution:

Concept:

- Marketing mix is the combination of marketing tools used by a firm to achieve its marketing objectives in a target market. These tools are commonly grouped as the four Ps: Product, Price, Place and Promotion.
- The four elements must be coordinated around customer needs. A useful product will not succeed if its price is unsuitable, it is unavailable where customers shop, or buyers do not understand its benefits.

Step 1: Explain the offering and its price **Product:** This means the goods or services, and the benefits associated with them, offered to satisfy customers' needs. Product decisions include the product's quality, features, design, variety, brand name, packaging, labelling and supporting services. For example, a firm selling a household appliance decides its capacity, safety features, warranty and after-sales service. The product must provide the value that the chosen customers seek; simply manufacturing an article does not guarantee demand.

Price: This is the amount customers pay to obtain the product. Pricing decisions include the basic price, discounts, allowances, credit terms and payment periods. The firm considers its costs, the value customers perceive, the strength of demand, competitors' prices and its marketing objectives. Price must be acceptable to the target buyers while enabling the enterprise to earn a suitable return. A discount or an instalment facility can also affect a customer's purchase decision.

Step 2: Explain availability and communication **Place or physical distribution:** This element ensures that products are available to customers at the right place and time. It includes selecting channels of distribution, such as wholesalers and retailers, and deciding how widely the market will be covered. It also involves physical distribution activities such as transportation, warehousing, inventory management and order processing. For example, a producer of everyday consumer goods needs convenient retail availability and timely replenishment so that customers can buy the product when required.

Promotion: This covers activities that communicate the product's availability, features and benefits and persuade customers to buy it. The principal promotion tools are advertising, personal selling, sales promotion and public relations. The firm chooses a suitable combination according to its target audience, product and resources. Advertising can create broad awareness, personal selling can explain an offering directly, and a short-term sales promotion can encourage trial. The communication must agree with the product's actual performance and the image the firm wishes to build.

Step 3: Conclusion The four important elements are Product, Price, Place and Promotion. Together they determine what value is offered, what the buyer pays, how the offering reaches the buyer and how its benefits are communicated. An effective marketing mix makes these decisions mutually consistent with the needs of the target market.

Quick Tip to Solve: Recall the four Ps by asking: What is sold, at what price, where is it available, and how will customers hear about it? Explain decisions under each P.