CBSE Class 12 Business Studies Question Paper 2014 with Solution PDF-Set 66/2/1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

Time Allowed: 3 hours **Maximum Marks: 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. What is meant by 'Management of Operations' ? [1 mark]

Solution:

Concept:

- Management of operations concerns the production process through which inputs are converted into useful output.
- Every organisation must coordinate people, materials and technology to supply its product or service.

Step 1: Identify the activity being managed Operations are the activities that transform inputs, such as labour, materials and capital, into finished goods or services. A manufacturer produces physical goods, while a service organisation produces a service.

Step 2: Relate operations to management Managers plan and coordinate this transformation so that resources are used efficiently and the required output is achieved effectively. The term therefore covers managing the production or service-delivery activity, rather than only buying inputs.

Step 3: Conclusion Management of operations means managing the process of transforming inputs into desired goods and services efficiently and effectively.

Quick Tip to Solve: Link operations with the input–transformation–output process; services also have operations.

2. What is determined by 'Fatigue Study' ? [1 mark]

Solution:

Concept:

- Fatigue study is a technique of scientific management concerned with tiredness caused by work.
- Appropriate rest intervals help restore workers' energy and maintain efficiency.

Step 1: Identify the source of fatigue Continuous physical or mental work causes fatigue and reduces a worker's ability to perform efficiently. The amount of fatigue depends on the nature of the job and the working conditions.

Step 2: State what the study determines Fatigue study determines the amount and frequency of rest intervals needed while completing a task. Providing these intervals allows workers to recover and prevents avoidable loss of productivity.

Step 3: Conclusion Fatigue study determines the amount and frequency of rest intervals required by workers in completing a task.

Quick Tip to Solve: Remember fatigue as tiredness: the result of the study is a suitable rest schedule.

3. What is included in 'Technological Environment' of business ? State. [1 mark]

Solution:

Concept:

- Technological environment is a dimension of the external business environment.
- It includes scientific improvements and innovations that create new ways of producing goods and services or conducting business.

Step 1: Identify the technological changes Scientific advances and innovations can improve production techniques, equipment, communication and the methods used to carry out business activities. These changes form part of the technological environment.

Step 2: Connect the changes with business Such developments provide new ways of producing goods and services and new methods or techniques of operating a business. A business monitors them because they can make existing products and processes less competitive.

Step 3: Conclusion The technological environment includes scientific improvements and innovations that provide new ways of producing goods and services and new methods and techniques of operating a business.

Quick Tip to Solve: Include both production technology and methods of conducting business; technology is broader than machinery.

4. Give the meaning of 'Procedure' as a type of plan. [1 mark]

Solution:

Concept:

- A procedure is a standing plan that prescribes the manner in which an activity is to be performed.
- It lays down a chronological sequence of steps for handling a recurring activity.

Step 1: Identify the prescribed sequence A procedure specifies the steps to be followed in carrying out an activity. The order is important: it tells employees what is to be done first, what follows and how the task is to be completed.

Step 2: Explain its role as a plan By providing a standard sequence for a recurring situation, a procedure guides action and avoids the need to decide the process afresh each time. It is more specific about the sequence of action than a broad policy.

Step 3: Conclusion A procedure is a type of plan that lays down the chronological sequence of steps to be followed in performing an activity.

Quick Tip to Solve: Use the words sequence of steps to distinguish a procedure from a policy or a rule.

5. Give the meaning of 'Accountability' as an element of delegation. [1 mark]

Solution:

Concept:

- Accountability is an element of delegation and means answerability for the final outcome of an assigned task.
- Authority can be delegated, but the superior remains accountable for the work entrusted to subordinates.

Step 1: Identify the duty to answer When a subordinate accepts a task and the authority needed to perform it, the subordinate becomes answerable to the superior for completing it satisfactorily. Reporting the results is therefore part of delegation.

Step 2: State the meaning precisely Accountability is the obligation to explain and justify the final outcome of the assigned responsibility. It flows upward, from the subordinate to the superior, and cannot be delegated away by the person who is accountable.

Step 3: Conclusion Accountability means being answerable to the superior for the final outcome of the assigned task.

Quick Tip to Solve: Associate responsibility with performing the task and accountability with answering for its results.

6. Define organization as a structure. [1 mark]

Solution:

Concept:

- Organisation structure is the framework within which managerial and operating tasks are performed.
- It specifies job positions and the authority and reporting relationships linking them.

Step 1: Identify the framework Organising creates positions, groups related activities and allocates duties. The resulting arrangement provides a framework in which the work of the enterprise can be carried out in a coordinated manner.

Step 2: State the relationships included The structure indicates who is responsible for each activity, who reports to whom and how authority flows. It thus establishes formal relationships between people and positions rather than merely listing the employees.

Step 3: Conclusion Organisation as a structure is the framework of job positions, duties and authority relationships within which managerial and operating tasks are performed.

Quick Tip to Solve: Define the framework and mention reporting or authority relationships to make the structural meaning clear.

7. Why do employees become lethargic when the organization uses internal sources of recruitment ? State. [1 mark]

Solution:

Concept:

- Internal recruitment fills vacancies from employees already working in the organisation, commonly through transfers or promotions.
- Absence of competition from outside candidates can reduce the incentive to improve performance.

Step 1: Identify the effect of limited competition When vacancies are filled only from within, existing employees do not have to compete with suitably qualified outsiders. They may expect advancement from their position in the organisation rather than from exceptional performance.

Step 2: Explain the resulting lethargy If employees feel promotion is assured, their motivation to work harder, develop new skills or improve efficiency may decline. This lack of competitive pressure can make them complacent and lethargic.

Step 3: Conclusion Employees may become lethargic because internal recruitment removes competition from outsiders and may create a feeling that promotion is assured.

Quick Tip to Solve: For this limitation, connect assured promotion and lack of outside competition with reduced effort.

8. 'Maintaining labour relations and union-management relations' is one of the specialised activities performed by Human Resource Management. Mention any two other specialised activities of Human Resource Management. [1 mark]

Solution:

Concept:

- Human Resource Management includes specialised activities concerned with obtaining, developing and maintaining a suitable workforce.
- Apart from labour relations, it includes recruitment, training, compensation and other personnel functions.

Step 1: Identify recruitment One other specialised activity is recruitment: searching for prospective employees and encouraging suitable candidates to apply for jobs in the organisation.

Step 2: Identify training and development Another is training and development of employees: improving their job-related knowledge and skills and preparing them for greater responsibilities.

Step 3: Conclusion Two other specialised activities are recruitment and training and development of employees.

Quick Tip to Solve: Name activities performed by the HR department; do not repeat labour or union-management relations already given.

9. Give two characteristics of 'Organizational Climate' that influence the behaviour of individuals and act as a non-financial incentive. [1 mark]

Solution:

Concept:

- Organisational climate is the set of characteristics that describes an organisation and distinguishes it from others.
- These characteristics affect how employees perceive their workplace and therefore influence their motivation and behaviour.

Step 1: State individual autonomy Individual autonomy is one characteristic: employees are given freedom and discretion in performing their work, encouraging initiative and a sense of responsibility.

Step 2: State reward orientation Reward orientation is another characteristic: the organisation gives appropriate recognition and rewards for good performance, encouraging employees to improve their efforts.

Step 3: Conclusion Two characteristics are individual autonomy and reward orientation.

Quick Tip to Solve: For organisational climate, recall autonomy, reward orientation, consideration and risk-taking; any two characteristics suffice.

10. Define 'Financial Management'. [1 mark]

Solution:

Concept:

- Financial management is concerned with the management of money and the financial affairs of an enterprise.
- Its central concern is efficient acquisition of funds and their effective utilisation so that financial resources serve business objectives.

Step 1: Identify the acquisition aspect A business must estimate its financial requirements and arrange funds from suitable sources. Financial management seeks to obtain these funds at an appropriate cost and with an acceptable level of risk.

Step 2: Identify the utilisation aspect The funds raised must be invested and used efficiently in business assets and operations. Financial management therefore covers both obtaining finance and putting it to productive use.

Step 3: Conclusion Financial management is concerned with the efficient acquisition and effective utilisation of funds.

Quick Tip to Solve: A complete definition includes both raising funds and using funds effectively; it is wider than bookkeeping.

11. What is meant by 'Feedback' in the concept of communication ? [1 mark]

Solution:

Concept:

- Communication involves transmitting a message from a sender to a receiver and achieving understanding.
- Feedback is the receiver's response that completes the communication cycle and enables the sender to assess understanding.

Step 1: Identify the response After receiving and interpreting the message, the receiver responds to it. This response, which may be verbal or non-verbal, is called feedback.

Step 2: Explain its role Feedback tells the sender whether the message has been received and understood in the intended sense. If it reveals misunderstanding, the sender can clarify or modify the message.

Step 3: Conclusion Feedback is the receiver's response to a communicated message, indicating whether it has been correctly received and understood.

Quick Tip to Solve: Remember the return link: the sender sends the message, while the receiver sends feedback.

12. How does 'Cost of Debt' affect the capital structure of a company ? State. [1 mark]

Solution:

Concept:

- Capital structure is the proportion of debt and equity used to finance a company's business.
- The cost of debt is the interest cost of borrowed funds; its after-tax cost is relevant because interest is a tax-deductible expense.

Step 1: Assess the borrowing cost When debt can be raised at a lower cost, borrowing becomes a more attractive source of finance, other factors remaining the same. The company can consequently consider a greater proportion of debt in its capital structure.

Step 2: Relate a higher cost to the financing mix When the cost of debt rises, interest obligations increase and debt becomes less attractive. The company tends to rely less on debt and more on equity, subject to its cash flows and financial risk.

Step 3: Conclusion A lower cost of debt encourages greater use of debt, whereas a higher cost discourages it, other things remaining the same.

Quick Tip to Solve: Link cheaper borrowing with a higher debt proportion, but remember that debt also creates fixed interest obligations.

13. Kavya is working in a company on permanent basis. As per the job agreement she had to work for 8 hours a day and was free to work overtime. Kavya worked overtime. But even after working for long hours and putting in her best efforts, no recognition was given to her by her boss. Due to overtime she fell ill and had to take leave from her work. No one showed concern and enquired about her health. She realised that she was fulfilling only some of her needs while some other needs still remained to be fulfilled.

(i) Identify and explain the needs of Kavya discussed in the above para, by quoting the lines.

(ii) Also explain two other needs of Kavya followed by the above needs, which still remained to be satisfied. [3 marks]

Solution:

Concept:

- Maslow arranged needs in the order: basic physiological, safety/security, affiliation/belongingness, esteem and self-actualisation.
- A reasonably satisfied lower-level need allows the next higher-level need to become important; financial rewards alone cannot satisfy all needs.

Step 1: Identify the needs directly discussed in the case **Safety/security needs:** The words "working in a company on permanent basis" indicate job security. These needs concern stability of income and protection against loss of employment. Her permanent appointment helps satisfy this need.

Esteem needs: The words "no recognition was given to her by her boss" show an unsatisfied need for recognition, respect and appreciation of her contribution. Her hard work alone does not meet this need.

Affiliation/belongingness needs: The words "No one showed concern and enquired about her health" show a lack of affection, acceptance and supportive relationships at work. Her need to belong to a caring group remains unsatisfied.

Step 2: Explain the other two needs in the hierarchy **Basic physiological needs:** These are the most elementary requirements of life, such as food, clothing and shelter. In employment, a basic salary helps a person obtain these necessities; they form the base of Maslow's hierarchy.

Self-actualisation needs: These refer to realising one's full potential, achieving personal growth and attaining self-fulfilment. Challenging work, opportunities to develop abilities and freedom to use one's talents can help satisfy them. These complete the five categories; one should not confuse self-actualisation with recognition from other people.

Step 3: Conclusion The case discusses safety/security, esteem and affiliation needs. The two other categories are basic physiological needs and self-actualisation needs.

Quick Tip to Solve: Map permanent work to safety, recognition to esteem and concern to affiliation; the remaining categories are physiological needs and self-actualisation.

14. Explain any three personal barriers to effective communication. [3 marks]

Solution:

Concept:

- Personal barriers arise from the emotions, attitudes, beliefs and motives of the sender or receiver. They obstruct the free exchange or acceptance of information.
- These barriers concern the people communicating, rather than the vocabulary used or the formal organisational structure. Any three can be explained.

Step 1: Explain fear of challenge to authority **Fear of challenge to authority:** A superior may withhold information if he or she fears that sharing it will weaken managerial authority. Useful suggestions or questions from subordinates may be suppressed because they are seen as a challenge. Thus, information is restricted even when it would help employees understand and perform their work.

Step 2: Explain lack of confidence in subordinates **Lack of confidence of a superior in subordinates:** If the superior believes that subordinates cannot understand information or use it correctly, their advice and suggestions may be ignored. The superior may not seek their participation or communicate openly with them. This distrust blocks upward communication and prevents useful ideas from reaching management.

Step 3: Explain unwillingness to communicate **Unwillingness to communicate:** A subordinate may deliberately avoid communicating with a superior when the information is expected to have an adverse effect on personal interests. For example, a worker may conceal an error because of fear of punishment. The superior consequently receives incomplete information and cannot take timely corrective action.

Step 4: Conclusion Three personal barriers are fear of challenge to authority, lack of confidence of superiors in subordinates, and unwillingness to communicate. Each obstructs communication because of the attitude or personal interest of a participant.

Quick Tip to Solve: For a personal barrier, name whose attitude causes the obstruction and explain how that attitude stops information from being shared or accepted.

15. Explain the following Money Market Instruments :

(i) Treasury bill

(ii) Commercial paper

(iii) Call money [3 marks]

Solution:

Concept:

- The money market deals in short-term funds and monetary assets with a maturity of up to one year. Its instruments meet temporary financing and liquidity needs.
- Treasury bills, commercial paper and call money differ in their issuers or participants and their purpose; explaining these distinctions identifies each instrument.

Step 1: Explain Treasury bills **(i) Treasury bill:** A Treasury bill is a short-term instrument of borrowing issued by the Reserve Bank of India on behalf of the Government of India. It is an unsecured promissory note used to meet the government's short-term funding needs and has a maturity of less than one year. It is issued at a discount and redeemed at its face value; the difference is the investor's return. It is therefore also called a zero-coupon bond.

Step 2: Explain commercial paper **(ii) Commercial paper:** Commercial paper is an unsecured, negotiable promissory note issued by large and creditworthy companies to raise short-term funds. Its maturity generally ranges from 15 days to one year. It is normally sold at a discount and redeemed at par. It provides a market source of short-term finance, commonly for working capital, without the company providing security for the borrowing.

Step 3: Explain call money **(iii) Call money:** Call money is short-term finance repayable on demand, generally used by banks to borrow from or lend to one another. The textbook describes its maturity as ranging from one day to fifteen days. Banks use it to manage temporary mismatches of funds and meet cash reserve requirements. The interest charged is called the call rate and varies with the demand for and supply of funds.

Step 4: Conclusion Treasury bills finance short-term government requirements, commercial paper raises short-term funds for creditworthy companies, and call money helps banks meet temporary liquidity needs.

Quick Tip to Solve: Distinguish the three by the borrower: government for Treasury bills, companies for commercial paper, and banks for call money.

16. Crackers Ltd., a fire-cracker manufacturing company launched some new products on the eve of Diwali in the market, which attracted many buyers. To meet the increased demand the company employed children from nearby villages. Although the products were in great demand, appropriate safety warnings for use were not mentioned on the labels, which led to many accidents.

(i) Identify and explain the important product related decision that was not taken into consideration by the company.

(ii) Also state any two values which were violated by the company. [3 marks]

Solution:

Concept:

- Labelling is the product-related decision concerned with designing and supplying the information shown on a product package or tag.
- A label describes the product, explains its contents and use, and gives necessary directions and safety warnings. Businesses must also protect consumers and avoid exploiting children.

Step 1: Identify and explain the neglected product decision **(i) Labelling:** The neglected decision was labelling. The case states that 'appropriate safety warnings for use were not mentioned on the labels'. A label provides important product information, including directions for proper use and precautions. In the case of fire-crackers, warnings about safe handling and use help buyers avoid injury. Merely attracting buyers with new products is insufficient if the label omits essential safety information. The

omission prevented consumers from being adequately informed about safe use and led to accidents.

Step 2: State the two values violated **(ii) Consumer safety and concern for human life:** The company failed to show necessary safety warnings, despite selling a product requiring careful handling. This disregarded the well-being of buyers and others exposed to the crackers.

Protection of children and freedom from exploitation: The company 'employed children from nearby villages' to meet increased demand. Using children in fire-cracker manufacturing violates concern for children's health, safety, education and development. Higher sales do not justify exposing children to hazardous work.

Step 3: Conclusion The neglected product decision was labelling, especially the provision of safety warnings and directions for use. Two values violated were consumer safety and protection of children from exploitation.

Quick Tip to Solve: Link each value to a separate case fact: missing warnings indicate disregard for consumer safety, while employing children indicates child exploitation.

17. State any three points of importance of consumer protection from the point of view of business.

[3 marks]

Solution:

Concept:

- Consumer protection safeguards consumers against unfair trade practices and ensures that businesses meet their obligations towards buyers.
- From the business viewpoint, protecting consumers supports lasting success, responsible use of society's resources and ethical conduct.

Step 1: Explain the commercial importance **Long-term interest of business:** A business earns profits and grows over time by satisfying its customers. Fair prices, safe products and honest information build goodwill and encourage repeat purchases. A satisfied consumer can recommend the business to others, whereas an exploited consumer may stop buying and damage its reputation. Protecting consumers therefore supports the firm's own long-term interest.

Step 2: Explain the responsibility towards society **Business uses society's resources:** Business obtains materials, labour, finance and other resources from society. It consequently owes a responsibility to society to use these resources in a socially desirable manner. Supplying safe, reliable products and treating consumers fairly fulfil this obligation.

Moral justification: It is the moral duty of business to protect consumers' interests and avoid exploitation. Adulteration, misleading advertisements and the sale of unsafe goods are unethical even if they temporarily increase profits. Consumer protection helps a business follow acceptable standards of conduct.

Step 3: Conclusion Three points of importance from the business viewpoint are its long-term interest, its responsibility arising from the use of society's resources, and the moral justification for treating consumers fairly.

Quick Tip to Solve: For the business viewpoint, link consumer welfare to goodwill, responsibility for society's resources and ethical conduct; do not list consumer rights instead.

18. How are consumer grievances redressed by the three-tier machinery under Consumer Protection Act, 1986 ? Explain. [3 marks]

Solution:

Concept:

- The Consumer Protection Act, 1986 provides a three-tier quasi-judicial machinery for inexpensive and speedy redressal of consumer grievances.
- The District Forum, State Commission and National Commission hear complaints according to the value of goods or services and the compensation claimed, with appeals to the next level.

Step 1: Explain redressal at the district level **District Forum:** It deals with complaints where the value of the goods or services, together with the compensation claimed, does not exceed Rs 20 lakh. On receiving a complaint, it refers it to the opposite party and, where necessary, sends goods for testing in a laboratory. After considering the evidence and hearing the parties, it passes an appropriate order. A dissatisfied party may appeal to the State Commission within 30 days.

Step 2: Explain redressal at the state level **State Commission:** It entertains complaints where the value of the goods or services and compensation claimed exceeds Rs 20 lakh but does not exceed Rs 1 crore. It also hears appeals against orders of District Forums. It considers the evidence and passes orders for relief. An aggrieved party may appeal against its order to the National Commission within 30 days.

Step 3: Explain redressal at the national level **National Commission:** It entertains complaints involving a value of goods or services and compensation claimed exceeding Rs 1 crore and hears appeals against orders of State Commissions. After examining the matter, it may direct relief such as removal of defects, replacement, refund or compensation. An order made by the National Commission in its original jurisdiction may be appealed against in the Supreme Court within 30 days.

Step 4: Conclusion The three levels redress grievances through complaint hearings and suitable relief, while the appeal system allows review by a higher authority. The monetary limits stated are those applicable under the Consumer Protection Act, 1986 to this paper.

Quick Tip to Solve: Remember the sequence District–State–National and the historical limits: up to Rs 20 lakh, above Rs 20 lakh up to Rs 1 crore, and above Rs 1 crore.

19. Mega Ltd. was manufacturing water-heaters. In the first year of its operations, the revenue earned by the company was just sufficient to meet its costs. To increase the revenue, the company analysed the reasons of less revenue. After analysis the company decided

(i) to reduce the labour cost by shifting the manufacturing unit to a backward area where labour was available at a very low rate.

(ii) to start manufacturing solar water-heaters and reduce the production of electric water-heaters slowly.

This will not only help in covering the risks, but also help in meeting other objectives too.

(a) Identify and explain the objectives of management discussed above.

(b) State any two values which the company wanted to communicate to the society. [4 marks]

Solution:

Concept:

- Nature and Significance of Management: organisational objectives are survival, profit and growth. Management must secure sufficient revenue, earn a surplus and develop the enterprise while using resources efficiently.
- Social objectives require business to contribute to society, including employment opportunities for disadvantaged areas and environmentally friendly production methods.

Step 1: Identify and explain the organisational objectives **Survival:** Mega Ltd.'s revenue was "just sufficient to meet its costs". Survival means earning enough revenue to cover costs and remain in business; the first-year position illustrates this minimum requirement.

Profit: The company sought "to increase the revenue" and "reduce the labour cost". Profit is the surplus of revenue over costs, needed to reward risk and finance continued operations. Improving revenue and controlling costs would help the company earn such a surplus rather than merely break even.

Growth: The decision "to start manufacturing solar water-heaters" expands the company's product offering into a new market opportunity. Growth means increasing business activity over time, reflected in such measures as sales and products. The product change also reduces dependence on electric water-heaters and helps protect future business.

Step 2: Explain the social objective and state two values **Social objective:** Moving the unit to a "backward area" can generate employment there, while solar water-heaters promote the use of renewable energy. These decisions can therefore meet social objectives alongside the company's economic objectives.

Value 1—Concern for disadvantaged areas: Creating employment opportunities in a backward area contributes to balanced regional development and the livelihood of its residents.

Value 2—Environmental responsibility: Producing solar water-heaters encourages renewable energy and conservation of conventional energy resources, expressing concern for the environment.

Step 3: Conclusion The case illustrates organisational objectives of survival, profit and growth, along with social objectives. The two values are concern for employment and development in backward areas, and environmental responsibility through renewable energy.

Quick Tip to Solve: Link cost coverage to survival, a surplus to profit and a new product to growth; then identify the social benefit of each business decision.

20. Giving any four points, explain the impact of government policy changes on Business and Industry.

[4 marks]

Solution:

Concept:

- Business Environment: liberalisation, privatisation and globalisation changed the competitive environment of Indian business. Enterprises had to adapt their policies and operations to a more open economy.
- Government policy affects entry, competition, technology and market opportunities. Its impact is explained by showing how firms must respond to these changes, rather than merely listing the policy names.

Step 1: Explain the changes in competition and customers **1. Increasing competition:** Liberalisation reduced industrial licensing and other restrictions, while globalisation allowed greater participation by foreign firms. Indian enterprises therefore faced competition from both domestic businesses and multinational companies. They had to improve quality, control costs and strengthen their competitive position to retain their markets.

2. More demanding customers: Greater competition increased the choice of goods and services available to consumers. Better informed customers could compare quality, price and features and were less willing to accept inferior products. Businesses consequently had to give greater attention to customer satisfaction, reliable quality and improved service.

Step 2: Explain the changes in technology and the need to adapt **3. Rapidly changing technological environment:** Increased competition encouraged firms to adopt improved technology and new production processes. Firms had to invest in modernisation to improve productivity, quality and efficiency. Relying on outdated methods could make their products uncompetitive against those of technologically advanced rivals.

4. Necessity for change: In a more dynamic market, enterprises could no longer depend on established practices and protected markets. They had to modify products, production methods, investment decisions and business policies in response to new opportunities and threats. Successful firms became more flexible and continuously reviewed their operations instead of treating change as an occasional exercise.

Step 3: Conclusion Four major impacts were increasing competition, more demanding customers, rapid technological change and the necessity for continuous organisational change. Together, these required businesses to become more efficient, responsive and customer oriented.

Quick Tip to Solve: For each impact, state the change first and then explain its consequence for a firm's decisions, such as quality, cost, technology or flexibility.

21. How is training in an organization beneficial 'for employees' ? State by giving any four reasons. [4 marks]

Solution:

Concept:

- Training is the systematic process of improving an employee's knowledge and skills for a particular job. It develops the ability to perform assigned work correctly and efficiently.
- The question asks for benefits to employees. Therefore, the answer focuses on their careers, earnings, safety and satisfaction, rather than only on advantages to the organisation.

Step 1: Explain the career and earning benefits

- **Better career opportunities:** Training improves employees' knowledge and skills. Better competence makes them more capable of undertaking responsible work and helps them obtain promotion and grow in their careers.
- **Higher earnings:** Improved performance enables employees to work more efficiently and productively. Their increased capacity to contribute can help them earn higher remuneration and performance-related rewards.

Step 2: Explain the safety and satisfaction benefits

- **Greater safety:** Training teaches employees the correct methods of handling machines, equipment and materials. Proper operating practices reduce the likelihood of mistakes and accidents, making the workplace safer for them.
- **Higher satisfaction and morale:** Employees who understand their duties and possess the required skills feel more confident about their work. This confidence increases job satisfaction and morale and reduces dependence on constant guidance.

Step 3: Conclusion Thus, training benefits employees through better career opportunities, higher earning potential, greater safety and improved job satisfaction and morale.

Quick Tip to Solve: For benefits to employees, recall career, earnings, safety and satisfaction; explain each from the worker's point of view.

22. Give the meaning of 'Investment' and 'Dividend' decisions of financial management. [4 marks]

Solution:

Concept:

- Financial management concerns the effective procurement and use of funds to achieve financial objectives. Its decisions include selecting assets in which funds are invested and deciding the use of profits available to shareholders.
- Investment decisions determine the deployment of funds in assets. Dividend decisions determine how much profit is distributed and how much is retained in the business.

Step 1: State the meaning of investment decision **Investment decision:** It relates to how the firm's funds are invested in different assets so as to earn the highest possible return for its investors. The finance manager must decide the allocation of available funds among alternative investment

opportunities.

Investment decisions may be long-term or short-term. Long-term investment decisions, also called capital budgeting decisions, concern assets such as a new plant or machinery. Short-term investment decisions concern current assets, such as inventories, cash and receivables, and form part of working capital management. The decision therefore determines the assets the business holds and affects its earning capacity and risk.

Step 2: State the meaning of dividend decision **Dividend decision:** It relates to the distribution of profit earned by the company. Management decides what proportion of earnings should be distributed to shareholders as dividend and what proportion should be retained in the business for future requirements.

Dividend is the portion of profit distributed to shareholders, whereas retained earnings remain available for reinvestment. Thus, a higher distribution leaves less profit available internally, while greater retention supplies more internal finance for the firm's future needs. The decision concerns the division of earnings, rather than the selection of assets in which funds will be invested.

Step 3: Conclusion An investment decision determines how funds are allocated among assets; a dividend decision determines the division of profits between dividends paid to shareholders and earnings retained in the business.

Quick Tip to Solve: Link investment with the use of funds in assets and dividend with the split of profits between distribution and retention.

23. State any five points of importance of planning. [5 marks]

Solution:

Concept:

- Planning means deciding in advance what is to be done, how it is to be done, when it is to be done and who is to do it. It links the organisation's present position with its desired future position.
- The importance of planning lies in providing direction, preparing for uncertainty, using resources efficiently, encouraging new ideas and supplying standards for control.

Step 1: State how planning guides work and prepares for change

- **Planning provides direction:** Clearly stated objectives tell employees what the organisation seeks to achieve and what they must do. Departmental and individual activities can therefore move towards common goals instead of being performed without a shared purpose.
- **Planning reduces the risks of uncertainty:** Managers look ahead, anticipate likely changes and prepare suitable courses of action. Although planning cannot eliminate uncertainty, this preparation helps the organisation respond to future events and reduces the impact of avoidable surprises.

Step 2: State how planning improves efficiency, ideas and control

- **Planning reduces overlapping and wasteful activities:** Plans clarify responsibilities and coordinate the efforts of different departments. This prevents unnecessary duplication of work, reduces confusion and makes better use of time, materials and other resources.
- **Planning promotes innovative ideas:** While deciding future action, managers examine alterna-

tives and think of new ways to achieve objectives. This deliberate search encourages creative ideas that can be converted into practical plans for improving operations.

- **Planning establishes standards for controlling:** Plans specify the results that should be achieved. Managers compare actual performance with these predetermined standards, identify deviations and take corrective action; without a plan, there is no clear basis for judging performance.

Step 3: Conclusion Thus, five points of importance are direction, reduced risks of uncertainty, reduced overlapping and waste, promotion of innovative ideas, and establishment of standards for controlling. Together, these help purposeful and coordinated organisational action.

Quick Tip to Solve: Remember the five headings as direction, uncertainty, waste, innovation and control, then attach one clear explanation to each heading.

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

(i) Safety

(ii) Expected Return

(iii) Investment outlay

(iv) Participants

(v) Duration [5 marks]

Solution:

Concept:

- The capital market deals in medium- and long-term funds, including shares and debentures. The money market deals in short-term funds through instruments such as treasury bills, commercial paper and call money.
- The comparison concerns the normal features of the two markets. Money-market instruments are generally safer and require larger transactions, whereas capital-market investment is accessible to a wider range of investors.

Step 1: Compare the two markets on the prescribed bases

Basis	Capital Market	Money Market
Safety	Securities are relatively riskier because returns and repayment may be affected by business performance and market-price fluctuations.	Instruments are generally safer because their short maturity and the financial strength of their issuers reduce default and price risks.
Expected return	Expected returns are generally higher. Investors may receive dividends or interest and may also earn capital gains.	Expected returns are generally lower, reflecting the shorter duration and comparatively lower risk of the instruments.
Investment outlay	Investment need not involve a very large sum. Securities can be bought in relatively small amounts by individual investors.	Instruments generally involve a large investment outlay, so transactions are mainly suited to institutions and large investors.
Participants	Participants include financial institutions, banks, companies, foreign investors and the general investing public.	Main participants include the RBI, commercial banks, financial institutions and corporate entities. Individual participation is limited.
Duration	It supplies medium- and long-term funds, generally for periods exceeding one year; equity has no fixed maturity.	It supplies short-term funds, with instruments normally maturing within one year.

Step 2: Relate the differences to the purpose of each market A company seeking funds for expansion can raise long-term capital by issuing shares or debentures. In contrast, a short-term liquidity requirement can be met through the money market. The different financing periods explain why the capital market accommodates a broad investing public and varying risks, while the money market mainly serves large participants seeking short-term deployment or borrowing of funds. Relative safety does not mean that every money-market instrument is completely free of risk.

Step 3: Conclusion The capital market generally offers longer duration, smaller possible investment amounts and higher expected returns with greater risk. The money market generally combines short duration, large transaction amounts and institutional participation with greater relative safety and lower expected returns.

Quick Tip to Solve: Keep the five prescribed bases in the same order in a comparison table; link shorter maturity with relative safety, lower return and large institutional transactions.

25. What is meant by 'Physical Distribution' ? Explain its major components. [5 marks]

Solution:

Concept:

- Physical distribution covers the physical movement and handling of goods from the place of production to the place of consumption. It makes the product available at the right place and time.
- Its major components are order processing, transportation, warehousing and inventory control. These activities must be coordinated to provide customer service at a reasonable distribution cost.

Step 1: Define physical distribution Physical distribution is the set of activities concerned with

physically moving finished goods from the producer to customers. A sale cannot be completed satisfactorily merely by choosing a distribution channel: goods must actually reach the buyer in the required quantity, in usable condition and within the promised time. It therefore concerns the actual flow of products through the channel.

Step 2: Explain order processing and transportation **Order processing:** This includes receiving the customer's order, checking its details and availability of goods, preparing the necessary documents and arranging dispatch. Accurate and prompt processing shortens the time between placing an order and receiving goods. Delays or mistakes can cause incorrect deliveries and loss of customers.

Transportation: This means carrying goods from the place of manufacture to the place where they are required for sale or consumption. The firm selects suitable transport by considering cost, speed, reliability and the nature of the goods. Timely and safe transport overcomes the distance between producer and buyer and helps maintain an uninterrupted supply.

Step 3: Explain warehousing and inventory control **Warehousing:** Warehousing stores and protects goods until customers require them. Production and consumption do not always occur at the same time, so storage bridges this time gap. Decisions about the number and location of warehouses affect delivery speed as well as storage and handling costs.

Inventory control: This involves deciding how much stock to maintain and when to replenish it. Adequate inventory allows the firm to meet orders promptly and avoid stock-outs. Excessive inventory, however, ties up funds and increases storage, insurance and deterioration costs. The firm must balance customer service against these carrying costs.

Step 4: Conclusion Physical distribution ensures the actual availability of products to customers. Efficient order processing, transportation, warehousing and inventory control work together to deliver the right goods at the right time and place while controlling costs.

Quick Tip to Solve: Remember the goods flow as order received, goods moved, goods stored and stock maintained; these correspond to the four major components.

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26. Principles of Taylor and Fayol are mutually complementary. One believed that the management should scientifically select the person and the work assigned should suit his/her physical and intellectual capabilities, while the other suggested that the work can be performed more efficiently if divided into specialised tasks.

Identify and explain the principles of Fayol and Taylor referred to in the above para. [5 marks]

Solution:

Concept:

- Taylor's principle of development of each and every person to his or her greatest efficiency and prosperity calls for scientific selection, suitable work allocation and training of workers.
- Fayol's principle of division of work calls for breaking work into specialised tasks. Repeated performance of a limited task develops expertise and improves efficiency.

Step 1: Identify Taylor's principle from the case **Development of each and every person to his or her greatest efficiency and prosperity:** Taylor's principle is indicated by the words that management

should "scientifically select the person" and ensure that the assigned work suits the person's "physical and intellectual capabilities". The emphasis is on developing the individual worker and matching the worker's abilities with the requirements of the job.

Step 2: Explain scientific selection and development Under this principle, management should select workers through a scientific assessment of their abilities rather than by chance or personal preference. The work assigned should suit each person's physical, mental and intellectual capabilities. The worker should then receive the training needed to perform the task by the most efficient method.

Proper selection and systematic development allow workers to reach their highest level of efficiency. Greater productivity benefits the organisation through better output and lower costs, while the worker benefits from improved competence and the opportunity to earn more. Thus, the prosperity of management and workers can advance together.

Step 3: Identify and explain Fayol's principle **Division of work:** Fayol's principle is indicated by the suggestion that work can be performed more efficiently if it is "divided into specialised tasks". A complex job should be divided into smaller tasks, with each task assigned to a specialist or a person who develops expertise in it.

Repetition of a particular task enables a worker to acquire skill, accuracy and speed. It also reduces the time lost in shifting repeatedly between different kinds of work. As a result, specialisation improves the quantity and quality of output with the same effort. Fayol considered division of work applicable to managerial as well as technical activities.

Step 4: Connect the complementary principles Division of work creates specialised tasks, while Taylor's principle helps management select and develop suitable people to perform those tasks. One explains how work should be organised and the other how individuals should be fitted and developed for it. Both therefore support higher efficiency rather than contradicting each other.

Step 5: Conclusion The principle of Taylor is development of each and every person to his or her greatest efficiency and prosperity; the principle of Fayol is division of work. Suitable, trained workers performing specialised tasks illustrate how the two principles complement each other.

Quick Tip to Solve: Match ability, scientific selection and training with Taylor's development principle; match splitting work into specialised tasks with Fayol's division of work.

27(a). With the help of any four points, explain the crucial role of 'Organising' function in an enterprise. [6 marks]

Solution:

Concept:

- Organising converts plans into action by identifying and dividing work, grouping related activities, assigning duties and establishing reporting relationships.
- Its importance lies in creating a clear framework in which people and resources work together to achieve the enterprise's objectives efficiently.

Step 1: Explain specialisation and clarity in relationships

- **Benefits of specialisation:** Organising systematically divides the total work into specific jobs and assigns these jobs to employees according to their abilities. Repeated performance of a particular task allows a worker to acquire experience and proficiency. The enterprise therefore benefits from greater productivity and better quality of work, instead of requiring every employee to perform every activity.
- **Clarity in working relationships:** Organising defines each person's duties, authority and reporting relationships. An employee knows what work is expected, from whom instructions are to be received and to whom performance must be reported. This clarity removes confusion and ambiguity and helps coordinate the efforts of different individuals and departments.

Step 2: Explain resource utilisation and adaptation

- **Optimum utilisation of resources:** The proper assignment of jobs to suitable employees makes effective use of human resources. Clear division of activities avoids overlapping responsibilities and duplication of effort. Material and financial resources can also be allocated to the activities that require them, reducing waste and unnecessary expenditure.
- **Adaptation to change:** A sound organisation structure provides a framework that can be modified when the business environment changes. Duties, departments and relationships can be reorganised to introduce new technology, products or methods. Appropriate changes in the structure enable the enterprise to respond to new requirements while maintaining stability and continuity in its operations.

Step 3: Conclusion Organising plays a crucial role through specialisation, clarity in working relationships, optimum utilisation of resources and adaptation to change. These four benefits create the coordinated structure needed to implement plans and achieve enterprise objectives.

Quick Tip to Solve: For an importance question, name each benefit and then show how dividing work or defining relationships produces that benefit; do not merely list the steps of organising.

OR

27(b). Differentiate between 'Functional' and 'Divisional' structure of organising on the basis of the following :

(i) Meaning

(ii) Formation

(iii) Specialisation

(iv) Responsibility

(v) Managerial development

(vi) Cost involved [6 marks]

Solution:

Concept:

- A functional structure groups similar activities into specialised departments such as production, finance and marketing.
- A divisional structure groups activities around products or product lines. Each division generally contains the functions needed for its own operations and is accountable for its results.

Step 1: Compare meaning, formation and specialisation

Basis	Functional structure	Divisional structure
Meaning	Similar functions are grouped into separate departments. Each department performs a specialised function for the enterprise.	Activities relating to each product or product line are grouped into a separate division with its own functional departments.
Formation	The structure is formed on the basis of functions, such as production, marketing, personnel and finance.	The structure is formed on the basis of different products or product lines handled by the enterprise.
Specialisation	It leads to functional specialisation because employees concentrate on one function across the enterprise.	It leads to product specialisation because a division concentrates on the activities and requirements of its particular product.

Step 2: Compare accountability, development and cost

Basis	Functional structure	Divisional structure
Responsibility	Responsibility for the overall result of a product is difficult to fix because several functional departments contribute to it.	Responsibility for a product's performance is easier to fix because the divisional head controls its major functions and is accountable for its results.
Managerial development	Development of general managers is more limited because functional managers gain experience mainly in their own specialised function.	It facilitates development of general managers because divisional managers gain experience in several functions relating to their product.
Cost involved	It is relatively economical because common functions and facilities serve the whole enterprise, avoiding duplication.	It is relatively costly because similar functions, personnel and facilities may be duplicated in different product divisions.

Step 3: Conclusion Functional structure organises the enterprise around specialised functions, while divisional structure organises it around products. The former provides functional expertise and economy; the latter provides product accountability and broader managerial experience, with greater duplication of resources.

Quick Tip to Solve: Use the same six bases in the printed order. Link functional structure to functions and divisional structure to products, then derive accountability, development and cost from that grouping.

28(a). Explain any four points which highlight the importance of controlling. [6 marks]

Solution:

Concept:

- Controlling compares actual performance with predetermined standards, identifies deviations and initiates corrective action so that organisational activities remain directed towards planned objectives.
- Its importance lies in making plans effective: information about results enables managers to judge performance, improve the use of resources and coordinate employees' efforts.

Step 1: Explain how control supports goals and sound standards

- **Accomplishing organisational goals:** Controlling measures progress towards the organisation's objectives. Managers compare actual results with standards, identify significant deviations and take corrective action. For example, if actual output falls below the production target, the manager investigates the reason and removes the obstacle. This keeps activities on the right track and helps the organisation achieve its goals rather than merely discover failure after the period ends.
- **Judging accuracy of standards:** An effective control system helps managers assess whether the standards set during planning are accurate and realistic. By reviewing actual performance and changes in the organisation or its environment, management can check whether standards remain appropriate. If a standard has become unrealistic because conditions have changed, it can be reviewed on evidence. Thus control supplies information for better standards and more effective future plans.

Step 2: Explain how control improves resources and coordination

- **Making efficient use of resources:** Control checks work against predetermined standards and encourages employees to perform carefully. Managers detect avoidable waste, spoilage, idle time and misuse of materials or equipment, then take corrective action. Resources are consequently used economically, with less wastage, so the organisation can obtain better results from its available human and physical resources.
- **Facilitating coordination in action:** Controlling directs the efforts of departments and employees towards common organisational objectives. Standards and performance reviews make each unit aware of its expected contribution. Corrective action brings departmental performance into line with the overall plan, so that one department's work supports the others. For example, coordinating production with sales targets prevents incompatible departmental efforts and promotes unity of action.

Step 3: Conclusion Controlling is important because it helps accomplish organisational goals, judges the accuracy of standards, promotes efficient resource use and facilitates coordination. Each benefit follows from measuring results, identifying deviations and acting on them.

Quick Tip to Solve: For each importance point, state the NCERT heading and explain how comparing actual performance with standards produces that benefit; keep accuracy of standards distinct from achieving goals.

OR

28(b). Explain the relationship between planning and controlling. [6 marks]

Solution:

Concept:

- Planning decides in advance what is to be achieved and how it is to be done; controlling measures actual performance against the planned standards and initiates corrective action.
- Planning and controlling are interdependent functions. Plans supply the basis of control, while control supplies feedback that makes present action and future planning more effective.

Step 1: Establish why planning and controlling depend on each other

- **Planning provides standards for control:** A plan specifies objectives and the expected level of performance. These become the standards against which actual performance is measured. Without such standards, a manager cannot objectively decide whether performance is satisfactory or identify a deviation. Thus planning is a prerequisite for controlling; controlling without planning has no meaningful basis.
- **Controlling makes plans effective:** Merely preparing a plan does not ensure that employees act according to it or that objectives are achieved. Controlling checks implementation, discovers deviations and initiates corrective action. Without control, a manager would not know whether the plan was being realised. Hence planning without controlling is incomplete and may remain only an intention on paper.
- **Control feeds back into planning:** Analysis of deviations reveals weaknesses in implementation, inaccurate assumptions or unrealistic standards. This information helps managers improve subsequent plans and revise standards when justified. Planning therefore initiates purposeful action, and controlling reviews its results to complete and renew the management cycle.

Step 2: Explain their forward-looking and backward-looking aspects

- **Planning looks ahead and learns from the past:** Planning is forward-looking because it chooses future objectives and courses of action. However, it is also backward-looking in the sense that managers use past experience and the feedback obtained through control when preparing future plans.
- **Controlling looks back and guides the future:** Controlling is backward-looking because actual performance, which has already occurred, is compared with standards. It is also forward-looking because corrective action aims to prevent repetition of mistakes and improve future results. Its purpose is not merely to record past errors but to direct subsequent performance towards objectives.

- **Both are inseparable and complementary:** Planning gives direction to activities, while controlling ensures that activities follow that direction. They reinforce one another continuously; standards established in one cycle are reviewed through control and inform the next cycle of planning.

Step 3: Conclusion Planning and controlling are inseparable: planning sets the standards, controlling checks their achievement, and feedback improves future plans. Both have forward-looking and backward-looking aspects, so together they keep organisational action directed towards its objectives.

Quick Tip to Solve: Organise this answer around standards, checking and feedback; then explain why both functions look ahead as well as use information from the past.

29(a). Explain the following as factors affecting the requirements of working capital :

(i) Business cycle

(ii) Credit allowed and availed

(iii) Operating efficiency

(iv) Availability of raw material [6 marks]

Solution:

Concept:

- Working capital finances day-to-day business operations, including inventories, receivables and cash. Net working capital is current assets less current liabilities.
- A longer interval between paying for inputs and collecting sales proceeds ties up more funds. Faster turnover and supplier credit reduce the funds the business must provide itself.

Step 1: Explain the effect of the business cycle **(i) Business cycle:** During a boom, demand and sales generally rise. The firm expands production and needs larger stocks of raw materials and finished goods, as well as more funds for wages and other operating expenses. Receivables may also increase as credit sales expand. Its working capital requirement therefore rises. During a depression, demand and production usually fall, so less money is tied up in inventories and routine operations and the requirement generally declines.

Step 2: Distinguish credit allowed from credit availed **(ii) Credit allowed and availed:** Credit allowed means the credit period given to customers. A liberal credit policy or a longer collection period raises debtors and delays cash recovery, increasing working capital needs. Cash sales or quicker collection reduce these needs. Credit availed means the credit obtained from suppliers. A longer supplier-credit period lets the firm obtain inputs without paying immediately and finances part of its operating cycle. Consequently, more credit availed reduces the working capital the firm must arrange, while purchases requiring immediate payment increase it.

Step 3: Link operating efficiency with funds tied up **(iii) Operating efficiency:** Efficient operations reduce wastage, shorten production time, improve inventory turnover and speed up the collection of receivables. The same volume of business can then be conducted with fewer funds blocked in current assets. Efficient firms also earn cash profits, which can help finance their operating needs. Inefficient production, excessive stocks or slow collections keep funds tied up for longer and increase working capital requirements.

Step 4: Assess the availability of raw material **(iv) Availability of raw material:** If raw material is available regularly and readily, the firm can buy smaller quantities as needed and maintain a lower inventory. This reduces working capital requirements. If supplies are uncertain, lead times are long or materials are available only seasonally, larger precautionary or seasonal stocks must be held to maintain uninterrupted production. More money is then locked in raw materials, increasing the working capital requirement.

Step 5: Conclusion Working capital rises with expanding activity, longer customer credit, inefficient operations and the need for larger raw-material stocks. Supplier credit, efficient turnover and reliable supplies reduce the funds that must be committed to everyday operations.

Quick Tip to Solve: Trace the cash cycle: anything that delays cash collection or increases stocks raises working capital; supplier credit and faster turnover reduce it.

OR

29(b). Explain the following as factors affecting the choice of capital structure :

(i) Return on Investment

(ii) Flexibility

(iii) Risk consideration

(iv) Control [6 marks]

Solution:

Concept:

- Capital structure is the proportion of debt and equity used to finance a business. Debt carries contractual interest and repayment commitments, whereas equity does not require a fixed dividend.
- Choosing the financing mix requires balancing the potential benefit of debt with financial risk, future borrowing capacity and the effect of new equity on ownership control.

Step 1: Compare the return on investment with debt cost **(i) Return on Investment:** When the return earned on investment exceeds the rate of interest on debt, using debt can increase the earnings available per equity share. The company earns more from the funds than it pays to lenders, and the surplus benefits equity shareholders; this is favourable trading on equity. A company expecting a sufficiently high and stable return may therefore use a greater proportion of debt. If the return is lower than the cost of debt, borrowing reduces the earnings available to equity shareholders, making a lower debt proportion preferable.

Step 2: Preserve flexibility in financing **(ii) Flexibility:** The capital structure should leave scope to raise additional funds when future investment opportunities or unforeseen needs arise. If the company already uses debt up to its borrowing capacity, lenders may be unwilling to provide further loans. Maintaining some unused borrowing capacity preserves financial flexibility. The firm should avoid exhausting debt capacity for present requirements.

Step 3: Balance business risk and financial risk **(iii) Risk consideration:** Business risk arises from operations, including the burden of fixed operating costs and fluctuations in operating earnings. Debt

creates financial risk because interest must be paid and principal repaid regardless of whether earnings are adequate. A firm with high business risk should normally use less debt so that fixed financing commitments do not add excessively to its total risk. A firm with relatively stable operating earnings and low business risk can generally bear a higher proportion of debt, subject to its ability to meet the associated payments.

Step 4: Consider the effect on ownership control **(iv) Control:** An issue of new equity shares to outside investors may dilute the voting power and control of existing shareholders. Where maintaining control is a major concern, the company may prefer debt, since lenders normally have no voting rights in the company's management. If existing owners subscribe to new shares or accept dilution, equity may be chosen. The desire to preserve control must still be weighed against the additional financial obligations created by debt.

Step 5: Conclusion The appropriate debt-equity mix depends on returns relative to debt cost, the need to retain future financing flexibility, the level of operating and financial risk, and the owners' concern about dilution of control.

Quick Tip to Solve: For each factor, state its effect on the debt-equity choice: favourable returns can support debt, while high risk and a need for borrowing flexibility favour restraint.

30(a). Explain the following functions of marketing :

(i) Marketing Planning

(ii) Product designing and development

(iii) Pricing of products

(iv) Standardisation and Grading [6 marks]

Solution:

Concept:

- Marketing involves identifying customer needs and performing activities that create and deliver value. Its functions help a firm offer the right product to its target customers on suitable terms.
- Planning determines the marketing objectives and the action needed to attain them; product development, pricing, standardisation and grading support their achievement.

Step 1: Explain marketing planning **Marketing planning:** This means developing appropriate marketing plans to achieve the organisation's marketing objectives. The firm first decides what it seeks to achieve, such as increasing its market share or entering a new market, and then specifies the activities needed. The plan covers decisions about production levels, promotion and other marketing efforts, with responsibilities, resources and time schedules. For example, a firm seeking a larger market share must plan how to attract additional buyers rather than simply state a sales target.

Step 2: Explain product designing and development **Product designing and development:** This function involves deciding the product's features, quality, shape, size, appearance and performance so that it satisfies customers' requirements. A good design makes the product useful and attractive and can give the firm a competitive advantage. Development also involves improving existing products or developing new ones in response to changing customer needs. The design must therefore balance

customer satisfaction with the firm's ability to produce and sell the product economically.

Step 3: Explain pricing of products **Pricing of products:** Pricing means determining the amount buyers must pay for a product. Price affects the level of demand, sales revenue and the firm's profitability. In fixing it, the marketer considers production and marketing costs, the product's utility and demand, competitors' prices and the firm's pricing objectives. A price must be acceptable to the target customers while helping the business meet its objectives; it cannot be fixed by considering cost alone.

Step 4: Explain standardisation and grading **Standardisation:** This means producing goods according to predetermined specifications such as quality, size, weight or other characteristics. It brings uniformity and consistency, allowing buyers to rely on the specified standard without inspecting every unit. **Grading:** This means classifying products into different groups on the basis of important characteristics such as quality, size or weight. It is especially useful for agricultural products, where complete uniformity is difficult. Different grades help buyers choose the quality they require and enable suitable prices to be charged for each grade.

Step 5: Conclusion Marketing planning sets the objectives and course of action; product designing and development create a suitable offering; pricing fixes its exchange value; and standardisation and grading ensure consistent specifications and meaningful quality categories.

Quick Tip to Solve: Distinguish the last pair carefully: standardisation establishes specifications, while grading sorts products into categories according to their characteristics.

OR

30(b). 'Though advertising is one of the most frequently used media of promotion of goods and services, yet it attracts lot of objections.' Explain any four such objections. [6 marks]

Solution:

Concept:

- Advertising is a paid form of non-personal presentation and promotion of goods, services or ideas by an identified sponsor. Its wide reach makes it a frequently used promotional tool.
- The main objections concern its economic cost and its effects on consumers and society. Any four distinct objections must be explained rather than merely listed.

Step 1: Explain the objection that advertising adds to cost **Adds to cost:** Advertising requires substantial expenditure on creating messages and buying space or time in newspapers, television and other media. Critics argue that this expenditure becomes part of the cost of marketing and is ultimately recovered from consumers through higher prices. They therefore view some advertising expenditure as an avoidable burden on buyers. This objection focuses on the cost of promotion, even though effective advertising may also increase sales and allow economies of scale.

Step 2: Explain the objection that it undermines social values **Undermines social values:** Advertisements may encourage materialism by presenting the possession of goods as the main route to success, happiness or social status. By repeatedly stimulating wants and portraying products as necessities,

they can make people dissatisfied with what they already have. Consumers may consequently buy products they do not need merely to imitate a desirable lifestyle. The objection concerns the creation of unnecessary wants and pressure to consume rather than the provision of useful product information.

Step 3: Explain the objection that it confuses buyers **Confuses the buyers:** Advertisements for competing brands often make similar claims of superior quality or performance. For example, several brands in the same product category may each claim to be the best. Since such claims provide no clear, common basis for comparison, a buyer may find it difficult to judge which product actually meets their needs. The volume of persuasive and sometimes exaggerated messages can therefore create confusion instead of helping a rational purchase decision.

Step 4: Explain the objection that it encourages inferior products **Encourages sale of inferior products:** Critics argue that persuasive advertising may induce people to purchase products of poor quality. An attractive message, repeated frequently, can create a favourable impression even when the product's actual performance does not justify it. Buyers may rely on the advertisement rather than examine the product's usefulness and quality. Thus promotion can influence a purchase without ensuring that the product provides the satisfaction promised; advertising by itself is not a guarantee of quality.

Step 5: Conclusion Four objections are that advertising adds to cost, undermines social values, confuses buyers and encourages the sale of inferior products. These objections explain why a widely used method of promotion also attracts criticism.

Quick Tip to Solve: Keep each objection distinct: cost concerns price, social values concern materialism, confusion concerns competing claims, and inferior products concern quality.