

**SAMPLE QUESTION PAPER - 1**  
**BUSINESS STUDIES (054)**  
**CLASS XII (2024-25)**

**Time Allowed: 3 hours**

**Maximum Marks: 80**

**General Instructions:**

1. This question paper contains 34 questions.
2. Marks are indicated against each question.
3. Answers should be brief and to the point.
4. Answers to the questions carrying 3 marks may be from 50 to 75 words.
5. Answers to the questions carrying 4 marks may be about 150 words.
6. Answers to the questions carrying 6 marks may be about 200 words.
7. Attempt all parts of the questions together.

1. Krishnan Murty, a Professor of Management conducted a class on **Management principles** and explained to his students the significance of Management Principles. In the next class, the Professor asked his students to play roles of different managers. He gave them various situations and asked them to think like managers and provide solutions to the problems given in these situations. Each student applied the principles of management to the given situation in his own personalized manner, depending upon his creativity. [1]

The nature of management highlighted in the above case is:

- |   |                               |
|---|-------------------------------|
| a) Management as a Science                    | b) Management as a Profession |
| c) Management both as an Art and as a Science | d) Management as an Art       |

2. \_\_\_\_\_ is a part of money market. [1]

- |                    |                     |
|--------------------|---------------------|
| a) Equity share    | b) Preference share |
| c) Commercial Bill | d) Debentures       |

3. At what managerial level planning is needed? [1]



- a) Top level
- b) All the levels
- c) Lower level
- d) Middle level

4. Which of the following affects capital budgeting decision? [1]

- a) Investment Criteria and interest rate
- b) Cash Flow of the Project
- c) All of these
- d) Rate of Return

5. Which among the following is a feature of the standard? [1]

- a) Static
- b) General guidelines
- c) Flexible
- d) Rigid

6. Identify the principle of management followed in the following pictorial representation. [1]



- a) Remuneration
- b) Equity
- c) The Degree of Centralization
- d) Authority and Responsibility

7. The term of the Treasury Bill cannot be more than \_\_\_\_\_ year. [1]

- a) Two
- b) Ten
- c) One
- d) Five

8. Govind is a HR manager in Pawan Constructions Ltd. He is paid an annual salary of ₹10 lakh. He is also given company shares at a price less than the market price. Which of the following method of compensation is used by company to pay to its HR manager? [1]

- a) Time based pay plus incentives
- b) Time based pay as well as performance based financial

incentive

c) Performance based direct  
financial payment

d) Time based direct financial  
payment

9. Which of the following statement is false? [1]

- a. If a firm's business risk is lower, its capacity to use debt is higher.
- b. If the stock markets are bullish, use of equity is often preferred by companies in such a situation.
- c. Working capital affects both the liquidity as well as profitability of a business.
- d. Current assets are never financed through long-term sources.

a) option (d)

b) option (a)

c) option (c)

d) option (b)

10. **Assertion (A):** Span of Management means for how many years an employee exists in a firm. [1]

**Reason (R):** Narrow span of management results in a tall structure whereas a wide span of management results in a flat structure.

a) Both A and R are true and R is  
the correct explanation of A.

b) Both A and R are true but R is  
not the correct explanation of A.

c) A is true but R is false.

d) A is false but R is true.

11. Maturity period to call money is: [1]

a) 1 to 30 days

b) 1 to 15 days

c) 15 to 1 years

d) 15 to 90 days

12. As a part of its capital structure, **Anirudh Ltd.** had ₹50 lakhs as Equity Share Capital and a loan of ₹20 lakhs from Neon Bank. On earning a good profit, Anirudh Ltd decided to give dividend to the Equity Shareholders but were surprised when the Neon Bank imposed restrictions on the payment of dividend. The factor affecting dividend decision which allows Neon Bank to impose restrictions on the payment of dividend by Anirudh Ltd. is \_\_\_\_\_ . [1]



a) Taxation Policy

b) Stability of Dividends

c) Legal constraints

d) Contractual constraints

13. **Statement I:** National Commission has a jurisdiction to entertain complaints where value of goods or services paid as consideration exceeds ten crores of rupees. [1]

**Statement II:** If any of the parties are not satisfied by the order of National Commission can appeal against such order to the Supreme Court of India within a period of thirty days of such order.

a) Both the Statements I and II are correct.

b) Statement II is correct and Statement I is not correct.

c) Both the Statements I and II are not correct.

d) Statement I is correct and Statement II is not correct.

14. The government has been doubling down on its efforts to switch to 100% electric vehicles by 2030. Many companies such as Tata Motors, Kinetic Motors, Maruti Suzuki, and Hyundai Motors are all readying their EV models for a 2020 launch in order to support the plan. [1]

Identify the type of plan being described in the above lines.

a) Strategy

b) Programme

c) Objective

d) Method

15. \_\_\_\_\_ is a major determinant of the decision about dividend. [1]

a) Amount of earnings

b) Stability of earnings

c) Cash flow positions

d) Stability of dividends

16. **Statement I:** Marketing planning covers various important aspects including the plan for increasing the level of production, promotion of the products, etc., and specifies the action programmes to achieve these objectives. [1]

**Statement II:** Standardisation is the process of classification of products into different groups, on the basis of some of its important characteristics such as quality, size, etc.



a) Statement I is correct and Statement II is not correct.

b) Both the Statements I and II are not correct.

c) Statement II is correct and Statement I is not correct.

d) Both the Statements I and II are correct.

17. If there is a plan to increase production then more labour, more machinery will be required. This step in the process of planning will involve organising for labour and purchase of machinery. Identify the step in the planning process being discussed above. [1]

a) Identifying alternative courses of action      b) Setting objectives

c) Implementing the plan      d) Selecting an alternative

18. Following are the managerial functions against their respective aspects: [1]

Managerial functions	Aspects
(a) Planning	(i) Deviations
(b) Staffing	(ii) Objectives
(c) Direction	(iii) Abilities
(d) Controlling	(iv) Leadership

Select the most appropriate combination.

a) (a) - (ii), (b) - (iii), (c) - (iv), (d) - (i)      b) (a) - (iv), (b) - (iii), (c) - (ii), (d) - (i)

c) (a) - (iii), (b) - (i), (c) - (ii), (d) - (iv)      d) (a) - (iv), (b) - (i), (c) - (iii), (d) - (ii)

19. Other things remaining the same if the fixed operating cost is high the firm would opt to raise finance from: [1]

a) Bills receivable      b) Equity shares

c) Commercial paper      d) Debentures



20. This is one of the features of standards. Identify it. [1]
- |              |             |
|--------------|-------------|
| a) Unbending | b) Flexible |
| c) Static    | d) Rigid    |

21. A company wants to modify its existing product in the market due to decreasing sales. You can imagine any product about which you are familiar. What decisions/steps should each level of management take to give effect to this decision? [3]
22. The barriers to effective communication exist in all organisations. Explain any three measures to overcome these barriers. [3]

OR

Explain briefly any three semantic barriers to communication.

23. After completing a diploma course in Wedding Planning Sunidhi plans to start her own business under the name 'Heart Beat.' She plans to hire a team of experts to give her clients a unique and unforgettable wedding experience keeping in mind their preferences and budget. Since childhood she has been admiring her grand father's financial skills, so she decides to visit him in Mewar to seek his guidance and blessings. Her grandfather tells her that the success of business depends on how well finance is invested in assets and operations and how timely and cheaply the finances are arranged, from outside or from within the business. He warns her that she should always invest time in identifying different available sources of finance and comparing them in terms of their costs and associated risks. Similarly, the finance needs to be invested in a manner that the returns from the investment exceed the cost at which procurement has taken place. [3]
- In the context of the above case:
- a. Identify and explain the financial concept being discussed above which has a direct bearing on the financial health of a business.
  - b. Name any two financial statements which reflect the financial health of a business.
  - c. Briefly outline the key objective of the concept as identified in part (a) of the question.
24. State how Government and Consumer Awareness Act could help in achieving the objectives of consumer protection. [3]



OR

State any three directions which can be issued by the consumer court to the opposite party if it is satisfied about the genuineness of the complaint.

25. Explain 'Programme' as a type of plan. [4]

OR

Why are the planning premises required in the planning?

26. Taking corrective/remedial action is the last step in the process of one of the functions of management, (a) Name the function; (b) Explain the other steps of the above mentioned function. [4]

OR

“Controlling is a pervasive function”. Explain.

27. **Rabat Medicine Ltd.** has never given any importance to the suggestions of its employees. Every person holding managerial position in the company considers himself wiser than the other. They neither help anybody nor get help from anybody. Last year, Mrs. Sonali Chauhan was appointed Chief Manager of the company against a vacant post. She was an M BA from IIM Lucknow and had also five-year experience of in the same post. Immediately after taking charge she decided to deal with both the problems of the company. She convened a meeting of all the employees and said, Employees of all levels (managerial and non-managerial) are free to give their suggestions. Besides, the one who gives the best suggestion will be awarded a prize. In addition, she advised them to discard ego and extend help in each other's work. We will have to give it the shape of a movement. Those who participate in this movement will be promoted at the earliest. This address had a positive effect on the employees. Both the problems of the company disappeared very soon. Kumari Sonali proved to be a good leader. [4]
- Identify by quoting lines, the two principles of management mentioned in the above paragraph and give their meaning.

28. Differentiate between Upward communication and Downward communication. [4]
29. **Hitesh Ltd.** is a well-known company in the cement industry since 1999. The company has an authorised capital of ₹ 100 crore and is listed with a reputed stock [4]



exchange. The value of its shares is increasing day-by-day due to increase in the demand for cement.

Now the company wants to enter into car manufacturing business. For this it requires ₹ 200 crore. The Finance Manager of the company decides to raise this capital by a public issue.

- a. Identify the market in which the company's existing securities are being traded.
- b. Name the market through which the company wants to raise its capital of ₹ 200 crore for its new business.
- c. Distinguish between the markets identified in (a) and (b) above on the basis of any two points.

30. Explain the following rights of a consumer provided under The Consumer Protection Act, 2019: [4]

- i. Right to Safety
- ii. Right to Seek Redressal

31. **Entertainment India Ltd.** has been incorporated with the objective of entertaining people by organising festivals, programmes and other similar events depicting the rich cultural heritage of the country. The company management has renowned personalities from the field of art, literature and culture. They decided to give a platform to young budding musicians, poets and artists. The company decided its organisational structure by grouping similar jobs together. Thereafter, the heads of different departments were also appointed. Nisha, one of the heads, did an analysis of the number, type and qualification necessary for people to be appointed. The information generated in the process of writing the job description and the candidate profile was used to develop **Situations vacant** advertisement. This was published in print media and flashed in electronic media. This brought in a flood of response. [6]

Explain the other steps which Nisha has to perform to complete the process being discussed above.

OR

State the merits of internal sources of recruitment.

32. 'Konark Ltd/ is an electronics goods manufacturing enterprise situated in Shivpuri, Madhya Pradesh. It is earning a very low revenue in comparison to a competing [6]





electronic good manufacturing enterprise, 'Nova Ltd.' situated in Mumbai. Both Konark's and Nova's operations are affected directly by the investors, customers, competitors, and suppliers, which are unique to their respective locations. In addition to this, individual firms of this field are affected indirectly by factors like the money supply in the economy, the composition of the families, the technological changes, etc.

- a. Identify and state the feature of the concept discussed in the above paragraph.
- b. Also, state any four points of importance of this concept.

OR

GHJ Private Ltd. is concerned about the external environment of business. It is busy analyzing various factors which are going to affect its business. However with a lot of understanding it developed about the business it found two types of factors; one which affected the firm directly and the other which affected all the firms in the business indirectly. With the passage of time the challenges for the company have increased. The company finds new competitors and technological changes which are posing new challenges for it. The company at the end of the year decides to have a survey. This survey is about knowing the business environment properly. Even after spending a lot of money on the surveys the company comes to conclusion that it's not easy to understand the business environment and it is properly understood only in parts. The company is ready to seek advice from experts and is eager to notice changes in the business environment. When a multinational company enters the market the company is eager in taking preventive measures like improving the product, aggressive advertising etc. A special team of experts have been created. The team observes the changes taking place like changing branding loyalty, more demanding customers, etc. as it knows the pace of change is more important than the change itself. The painstaking efforts of the company don't go unrewarded. The company monitors the business environment and is able to increase its revenue by the end of the year.

Which features of business environment have been highlighted in the above case? Also identify the various points of importance of business environment highlighted above.

33. Aman Chadha started 'Bulls Eye' a company for providing cybersecurity solutions to businesses. Its objective is to prevent, detect and respond to cyber-attacks and protect critical data. He was a hardworking software engineer and an expert in cybersecurity. His reputation grew by leaps and bounds as he was not only a person of integrity but also did his work with utmost honesty and sincerity. The business started growing day [6]



by day.

He was delighted when he was offered a big project by the Ministry of Defence. While working on the project, he found that the volume of work made it impractical for him to handle all the work by himself. He decided to expand the team. The company maintained a close liaison with a local engineering college. During a campus placement, Ishan and Vrinda were appointed to work for the new project.

He found the new employees capable, enthusiastic and trustworthy. Aman Chadha was thus, able to focus on objectives and with the help of Ishan and Vrinda, the project was completed on time. Not only this Aman Chadha was also able to extend his area of operations. On the other hand, Ishan and Vrinda also got opportunities to develop and exercise initiative.

- i. Identify and briefly explain the concept used by Aman Chadha in the above case which helped him in focusing on objectives.
- ii. Also, state any four points of importance of the concept identified in (i) above.

34. A company was marketing 'Juicers' which were very popular due to their quality and after-sale - services provided to the customers. The company was a leading company in the market and earning huge profits. Because of huge profits, the company ignored the after-sales services. As a result its relations with the customers got spoiled and the image of the company in the public was damaged. Top management became concerned when the profits for the current quarter fell steeply. On analysis, it was revealed that ignoring the after sales services was its reason. Therefore, the company took all possible measures to protect and promote its favourable image. As a result the goodwill of the company improved in the society. [6]

- i. Name and state the communication tool used by the marketer in the above case to improve its image.
- ii. Also explain role of the tool as identified in Part (i).

**SOLUTION**  
**SAMPLE QUESTION PAPER - 1**  
**BUSINESS STUDIES (054)**  
**CLASS XII (2024-25)**

1.  
**(d) Management as an Art**  
**Explanation:**  
Management as an Art
2.  
**(c) Commercial Bill**  
**Explanation:**  
Commercial Bill, Treasury bill etc are example of money market
3.  
**(b) All the levels**  
**Explanation:**  
Planning is needed at all the levels of management.
4.  
**(c) All of these**  
**Explanation:**  
Rate of return cash, Flow of the project investment, criteria and interest rate affects capital budgeting decision.
5.  
**(c) Flexible**  
**Explanation:**  
Standards are the criteria against which actual performance would be measured. It is important enough that standards should be flexible enough to be modified whenever required, because of the changes taking place in the internal and external business environment.
6.  
**(d) Authority and Responsibility**  
**Explanation:**  
Authority and Responsibility
7.  
**(c) One**  
**Explanation:**  
Tenure of treasury bill cannot be more than One year



8. **(a)** Time based pay plus incentives

**Explanation:**

Time based pay plus incentives

9. **(a)** option (d)

**Explanation:**

Current assets are never financed through long-term sources.

10.

**(d)** A is false but R is true.

**Explanation:**

The span of management means how many employees can be effectively managed by one manager.

11.

**(b)** 1 to 15 days

**Explanation:**

Maturity of 1 to 15 days used for inter-bank transaction.

12.

**(d)** Contractual constraints

**Explanation:**

Contractual constraints

13. **(a)** Both the Statements I and II are correct.

**Explanation:**

Both the Statements I and II are correct.

14. **(a)** Strategy

**Explanation:**

Strategy is the correct option.

15. **(a)** Amount of earnings

**Explanation:**

Amount of earnings

16. **(a)** Statement I is correct and Statement II is not correct.

**Explanation:**

Statement I is correct and Statement II is not correct.

17.

**(c)** Implementing the plan

**Explanation:**

Implementing the plan

18. (a) (a) - (ii), (b) - (iii), (c) - (iv), (d) - (i)

**Explanation:**

(a) - (ii), (b) - (iii), (c) - (iv), (d) - (i)

19.

(b) Equity shares

**Explanation:**

Equity Shares

20.

(b) Flexible

**Explanation:**

It is important that standards should be flexible enough to be modified whenever required.

21. Company wants to modify its existing product Audio/Video players to CD/DVD players. For this purpose management should take the following steps at each level:

i. At Top Level:

- Formulation of plans and policies of every departments for smooth working.
- Coordination between various departments for the accomplishment of pre-determined goals successfully and on desirable time.
- Unity of action I.e change I in We.
- Methods, techniques and Scope of modification if required at any place.
- Analysis of business environment to change its policies time to time.

ii. At Middle Level:

- Proper implementation of plans and policies formulated by top management to lower level management.
- Coordination among the various activities of different departments to achieve the desirable goal.
- Link chain between top and middle level management.

iii. At Lower Level:

- Putting right man on the right job.
- Effective communication with workers.
- Supervision and control.
- Day to day meet with workers.

22. **Following are the measures which may overcome barriers to effective communication to improve the usefulness of communication:**

- i. **Clarity of ideas-** Message to be communicated to subordinates should be clear in all its perspective to the executive himself.



- ii. **Direct and simple message-** The language used should be understandable to the receiver and should not offend the sentiments of listeners. The message should be stimulating to evoke a response from the listeners.
- iii. **Proper feedback-** The communicator should ask questions regarding the message conveyed to the receiver. The receiver of the message should be encouraged to convey their response and reaction to the communicator. There should be a regular follow-up of the communication.

OR

Semantic barriers of communication refer to barriers where there is a problem in decoding the message because of factors such as difficulty in interpretation, wrong translations or wrong use of words. Some semantic barriers are:

- i. **Badly expressed message:** There may be difficulty in expressing the information because of poor vocabulary or wrong use of words.
  - ii. **Symbols with different meanings:** Sometimes, a single word may have many different meanings. In such cases, it may be difficult for the receiver to interpret the intended meaning of the word.
  - iii. **Faulty translations:** Sometimes, it may happen that there is a language barrier between workers such that the level of proficiency of a language may be different for the two.
23. a. Financial management the financial concept being discussed above which has a direct bearing on the financial health of a business. Financial Management means planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial resources of the enterprise. Financial Management is concerned with optimal procurement as well as usage of finance.
- b. Balance Sheet and Profit and Loss Account are the two financial statements which reflect the financial health of a business.
- c. The key objective of financial management is to maximise shareholder's wealth by maximising the market price of a company's shares.
24. i. **Government** The government can protect the interests of the consumers by enacting various legislations. The legal framework in India encompasses various legislations, which could provide protection to consumers. The most important of these regulations is the Consumer Protection Act, 1986, which provides three-tier machinery for redressal of consumer grievances. The Government has the responsibility of safety and security of its people and therefore it must frame such laws which could make the sellers refrain from various malpractices.



- ii. **Consumer Awareness Act:** A consumer, who is well-informed about his rights and his reliefs available to him, would be in a position to raise his voice against unfair trade practices or unscrupulous exploitation. This would enable him to safeguard his interests. Consumer Awareness Act, provides the consumer a platform to raise his voice against any form of malpractice.

OR

The reliefs available to a consumer under the Consumer protection act, 1986 are:

- i. To refund the price paid for the product.
  - ii. To remove the defects in goods or deficiency in services.
  - iii. To replace the defective product with a new one, free from any defect.
25. (i) Programme is detailed statement about a project which are based on the objectives, policies, procedures and rules.
- (ii) Programme is a single used type of plan which is made for a task once and may be changed again and again.
- (iii) Programmes are a combination of goals, task assignments, steps to be taken, resources to be employed, and other elements necessary to carry out a given course of action.
- (iv) The minutest details are worked out i.e., procedures, rules, budgets, within the broad policy framework.

OR

Planning is concerned with the future which is uncertain, therefore, the manager is required to make certain assumptions about the future which are considered to be base material upon which plans are to be drawn. These assumptions are called planning premises. There can be no planning unless planning premises are determined. We can continue with some of the planning premises are demand for goods, cost of raw materials, government policies, the intensity of competition, factor market conditions, etc. For example, Mr. Nirmal decides to produce colour television sets. In such a case, he will have to forecast the demand for television sets while preparing various plans. The success of various plans depends on the accuracy of the forecast of demand for television sets.

26. (a) Controlling.

(b) **The other steps of controlling are:**

- Setting performance standards: Making plans in quantative or qualitative forms.
- Measurement of actual performance: Seeing the present or current performance.
- Comparing actual performance with standards.
- Analysing deviations: Whether positive or negative.

OR





Controlling is a pervasive function means that its applicability is universal , it does not matter that the organization is profit making or non profit making , the managers of all the organizations have to follow the controlling step.

27. i. Employees of all levels (managerial and non-managerial) are free to give their suggestions. Besides, the one who gives the best suggestion will be awarded a prize.

**Principle of initiative:** According to this principle, “employees in the organisation must be given an opportunity in making and executing the plan.”

- ii. “In addition, she advised ..... each other's work.”

**Espirit De Corps:** As per this principle, a manager should constantly make efforts to develop a team spirit among the subordinates.

28.	Upward Communication	Basis of Distinction	Downward Communication
	Upward communication is the line of communication through which subordinates can convey information, to their seniors.	<b>Meaning</b>	Downward communication is the formal chain of command established to direct subordinates and convey information, pertaining to organization's objectives, policies and strategies.
	To make complaints or appeal, give feedback and suggestions	<b>Purpose</b>	To give orders, instructions, advice or assign responsibilities.
	Slow	<b>Speed</b>	Fast

29. a. The market in which the company's existing securities are being traded is the stock market. Since the company is listed with a reputed stock exchange, it can be assumed that its shares are traded in the primary or secondary market.
- b. The market through which the company wants to raise its capital of 200 crore for its new business is the primary market. Specifically, the company plans to raise capital through a public issue, which means it will issue new securities to the public.
- c. The two points of distinction between the markets identified in (a) and (b) are:
- Purpose:** The stock market (secondary market) is primarily meant for the trading of existing securities, whereas the primary market is used for the issuance of new securities. In the case of Hitesh Ltd., its existing securities are being traded in the stock market, but the company wants to raise new capital for its car manufacturing business through a public issue, which requires it to access the primary market.





b. **Parties involved:** The stock market involves the trading of securities between investors, while the primary market involves the issuance of securities by companies to investors. In the stock market, investors buy and sell existing securities from each other, whereas in the primary market, companies issue new securities to investors. In the case of Hitesh Ltd., the company will issue new securities to investors in the primary market to raise capital for its new business.

30. i. **Right to safety:**

- a. Consumers have the right to be protected against the marketing of products and services which are dangerous or hazardous to their health, life and property.
- b. For example, if electrical goods, chemical products, gas cylinders, pressure cookers etc. happen to have any manufacturing defect, these may harm the consumer resulting in injury to him or his death or damage to his property.
- c. If, in spite of all the precautions, injury is caused, a consumer has the right to complain against the businessman and is entitled to claim compensation.
- d. Before buying, a consumer can insist on the quality and guarantee of the goods. They should ideally purchase a certified product like ISI or AGMARK.

ii. **Right to Seek Redressal:**

- a. Every consumer has the right to seek redressal against (a) Restrictive Trade Practices, which restrict competition in the market or unfair trade practices,
- b. Defective Goods,
- c. Excess Charging of price,
- d. Deficient Services, and
- e. Supply of Hazardous Goods.
- f. He can claim replacement of defective goods, removal of defect in the product, refund of money or compensation for loss/injury suffered etc.
- g. The defines that the consumer has the right to seek redress against unfair and cruel practices or exploitation of the consumer.

31. Staffing means putting people to jobs. It begins with human resource planning and includes different other functions like recruitment, selection, training, development, promotion and performance appraisal of work force.

Other steps which Nisha has to perform to complete the process being discussed above are:

- i. Selection
- ii. Placement and Orientation
- iii. Training and Development
- iv. Performance Appraisal



- v. Promotion and career planning
- vi. Compensation

OR

Internal sources of recruitment are better than external sources in the following respects

- i. **Economical sources:** Internal sources are less time-consuming and less expensive because it reduces the need for tests and selection process.
- ii. **Simplifies the process of selection:** Since the employees are already known to the organisation, therefore, the process of selection and placement gets simplified.
- iii. **Motivates employees:** Filling higher level jobs through promotion helps to improve the motivation and morale of employees as they know that they can be promoted to a senior position in the organisation if they work harder for the organisation. Ambition to occupy post of higher rank will add to their morale.
- iv. **The sense of security:** Internal recruitment creates a sense of security among the staff. So, their selection for the higher post involves no risk.
- v. **No problem in adjustment:** As the organisation and the employees are familiar with each other, this leads to the smooth functioning of the enterprise without any problem in adjustment on the part of the new employees or the organisation.
- vi. **Industrial peace:** The promotion process continues from top to bottom in the whole organisation. This motivates the employees to enhance their performance through learning and peace.

32. The Concept discussed above is '**Business Environment**'. The feature of the business environment discussed above is-

**Specific and General forces:** Business Environment is made up of both specific and general forces. Specific forces refer to the customers, competitors, investors, etc. which have a direct effect on the day to day working of the business while the general forces refer to social, political, legal, technological and other forces which indirectly affect the operations of a business.

b. The Four points of importance of Business Environment are:

**(i) Enabling the identification of opportunities and getting the first-mover advantage:**

The business environment provides many opportunities for firms to improve their performance. The firms which are able to scan these opportunities at an early stage get maximum benefit and can leave their competitors behind.

**(ii) Helping in the identification of threats and early warning signals or the Radar**

**effect:** Environment understanding helps an enterprise to recognize qualitative information in advance, which can be used to prepare it for facing likely challenges.



**(iii) Improvement in performance:** Environmental awareness provides continuing, broad-based education for management. Objective qualitative information generated by such understanding provides a strong basis for strategic thinking. The enterprises that monitor their environment closely can adopt suitable business practices not only to improve their performance but also to become leaders in the industry.

**(iv) Image building:** Environmental understanding generates a feeling among the public that business is sensitive and responsive to its environment. This helps in building the image or reputation of the firms.

OR

The various features of business environment which are highlighted in the above case are:

- i. **Specific and general forces:** However with a lot of understanding it developed about the business it found two types of factors; one which affects the firm directly and the other which affected all the firms in the business indirectly.
- ii. **Dynamic nature:** The Company finds new competitors and technological changes which are posing new challenges for it.
- iii. **Complexity:** Even after spending a lot of money on the surveys the company comes to a conclusion that it's not easy to understand the business environment and it is properly understood in parts.

The various benefits of business environment highlighted in the above case are:

- i. **It helps the firm to identify threats and send early warning signals:** When a multinational company enters the market the Company is eager in taking preventive measures like improving the product, aggressive advertising, etc.
  - ii. **It helps in coping with rapid changes:** The team observes the changes taking place like changing branding loyalty, more demanding customers, etc. as it knows the pace of change is more important than the change itself.
  - iii. **It helps in improving performance:** The Company monitors the business environment and is able to increase its revenue by the end of the year.
33. i. Delegation of authority is the concept used by Aman Chadha in the above case which helped him in focusing on objectives. The delegation of authority is the process of granting of authority to the subordinates to operate within prescribed limits.
- ii. The four points of importance of delegation of authority are described below:
    - a. **Effective management:** It helps the managers to function more efficiently as they get more time to concentrate on important matters. Freedom from doing routine work provides them with opportunities to excel in new areas.



- b. **Employee development:** By empowering the employees, they are given more opportunities to utilize their talent and this may help them to become better leaders and decision-makers in the future.
- c. **Motivation of employees:** Delegation also has psychological benefits as helps in building the self-esteem of an employee and improves his confidence and work performance. When a superior entrusts a subordinate with a task, it is not merely the sharing of work but involves trust in the superior's part and commitment on the part of the subordinate. Thus, delegation may give rise to latent abilities in the subordinates.
- d. **Facilitation of growth:** With the increase in the competence of the employees, an organisation tends to gain in many ways. The growth and expansion of the firm become easy as the capable workforce is ready to take greater responsibilities.

34. i. The communication tool used by the marketer in the above case is 'Public Relations' Public relation is an important element of marketing. It means maintaining relations with public. By maintaining such relations, companies create goodwill. Public relations evaluate public attitudes, identify the policies and procedures of an organisation with the public interest to earn public understanding and acceptance. The professional maintenance of a favourable public image by a company or other organization or a famous person.

Public does not mean only customers, but it includes shareholders, suppliers, intermediaries, customers, etc. Thus, it helps in maintaining and establishing mutual understanding between an organisation and public.

ii. **Role of Public Relations** The role of public relations can be discussed with respect to functions performed by the public relations department. These functions are

- a. **Smooth Functioning of Business:** It helps in analysing trends, predicting their consequences, counselling organisational leaders and implementing a planned programme of action and thus helps in smooth functioning of business and achievement of objectives.
- b. **Building Corporate Image and Brand Equity:** Public relations cover a wide range of tactics, tools and programmes to promote and protect a company's image and products. It uses the tools to build a corporate image which ultimately affects favourably on its products. Sponsoring various efforts to publicize specific products or services.
- c. **Launching New Products:** The good image promotion itself lends credibility to new launches of the organisations.
- d. **Press Relations:** The public relations department is in contact with the media to present true facts and a correct picture about the company, otherwise, news can get distorted if it



is taken from some other source. Or Communicating news and information of interest about organizations in the most positive light.

- e. **Corporate Communication:** The public relations department promotes the image of the company by communicating with the public and the employees of the organisation. In simple words, we can say that Promoting a better and more attractive understanding of the organization with internal and external communications.
- f. **Lobbying:** The public relations department is liable to maintain healthy relationships with government officials, ministers of industry and finance, associations of commerce and industry and etc. At the same time, they have to be proactive in promoting or defeating regulations that affect them. In simple words, we can say that communicating with key individuals to positively influence legislation and regulation.
- g. **Counselling:** The public relations department advises the management on general issues that affect the general public and the goodwill of the company.
- h. **Internal Feedback:** Advising decision makers within the organization regarding the public's perception and advising actions to be taken to change negative opinions. This feedback is given from the proprioceptive sensors.

