

SAMPLE QUESTION PAPER - 3
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. Digital Pvt. Ltd. is a mobile manufacturing company. The manager of the company observed that the market is dynamic and a lot of changes were taking place in the mobile market and hence, the risk of the product becoming obsolete is high. The designs of the phones are governed by requirements and preferences of the customers. He started incorporating new and advanced features taking clue from the consumers and with the help of his workers. [1]

Identify the characteristic of management highlighted in this case.

- | | |
|--|------------------------------------|
| a) Management is a dynamic function | b) Management is multi-dimensional |
| c) Management is a goal-oriented process | d) Management is a group activity |

2. What is meant by Demat Account? [1]

- | | |
|------------------------------------|-----------------------------------|
| a) Demand Depository Account | b) Depository Participant Account |
| c) Dematerialisation of Securities | d) Development Market Account |



3. Name the type of plan which defines the formal parameters within which the managers may function. [1]

- a) Strategies
- b) Rules
- c) Policies
- d) Procedures

4. _____ aims at reducing the cost of funds procured, keeping the risk under control and achieving effective deployment of such funds. [1]

- a) Trading on Equity
- b) Capital Structure
- c) Financial planning
- d) Financial management

5. _____ is the step in the controlling process where standards may have to be revised in case the deviation can not be corrected through managerial action. [1]

- a) Taking corrective action
- b) Measurement of Actual performance
- c) Comparing Actual Performance with standards and analysing deviations
- d) Setting Performance Standards

6. The following pictorial presentation highlights violation of one of the principles of management. [1]



Identify the principle not followed in the given picture.

- a) Cooperation not individualism
- b) Subordination of individual interest to general interest
- c) Initiative
- d) Equity

7. It is necessary for an investor to obtain Certificate of Deposits for ₹ _____ lakh. [1]

- a) 10
- b) 50



c)25

d)5

8. Joining a job marks the beginning of socialisation of the employee at the workplace. [1]
The employee is given a brief presentation about the company and is introduced to his superiors, subordinates and the colleagues. He is taken around the workplace and given the change of the job for which he has been selected. This process of familiarisation is very crucial and may have a lasting impact on his decision to stay and on his job performance.

Identify the two concepts of one of the functions of management highlighted above.

- a) Promotion and Career Planning b) Performance Appraisal and Compensation
c) Placement and Orientation d) Training and Development

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

- a. The dividend in growth companies is smaller than that in the non-growth companies.
b. Increased use of debt always lowers the overall cost of capital of the firm.
c. Financial planning is not equivalent to, or a substitute for, financial management.
d. Financial Planning includes both short-term as well as long-term planning.

- a) option (a) b) option (d)
c) option (b) d) option (c)

10. **Assertion (A):** Delegation leads to effective management. [1]

Reason (R): Delegation empowers the employees by providing them with the chance to use their skills, gain experience and develop themselves for higher positions.

- 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. Securities Exchange Board of India (SEBI) was established in _____. [1]

- a) 2001 b) 1984



c) 1988

d) 1956

12. Temptations is a food joint in Imperial Mall in Bengaluru. It is becoming popular among students and working people due to healthy, on-the-go dishes on its menu like **Paneer Wrap, Chickpeas Salad, Grilled Sandwiches**, etc. It has now decided to open two new branches in other parts of Bengaluru. Which financial decision has been discussed in the above case? [1]

a) Financing decision

b) Long-term investment decision

c) Dividend decision

d) Short-term investment decision

13. **Statement I:** The Chapter V of the Consumer Protection Act of 2019 provides for a mediation process for settlement of disputes at three levels - National, State and District with all three being attached to the respective commissions. [1]

Statement II: Either on the first hearing or at any later stage, it appears to district commission that there exists elements of settlement which may be acceptable to the parties, it may direct them to give their consent for settlement of dispute through mediation within forty five days.

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

b) Both the Statements I and II are correct.

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

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

14. R-Ox Ltd. wants to increase their market share by 4.5% in next two years. It spent a lot of money to hire specialized people for framing their plans, collecting important facts about environment who took lot of time to frame plans for the company. The competition has started increasing, and it is not able to beat its competitors because it has already spent a huge amount. The plan failed and company suffered a huge loss. Identify the limitation of planning stated in the given case. [1]

a) Planning is a time-consuming process.

b) Planning involves huge cost.

c) Planning may not work in a dynamic environment.

d) All of these.



15. Financial Management aims at: [1]
- a) Keeping the risk under control b) All of these
- c) Achieving effective deployment of such funds d) Reducing the cost of funds procured
16. **Statement I:** Marketing is concerned with exchange of goods and services from producers to consumers or users in such a way that maximises the satisfaction of customers' needs. [1]
- Statement II:** Gathering and Analysing Market Information is important for making an analysis of the available opportunities and threats as well as strengths and weaknesses of the organisation and help in deciding what opportunities can best be pursued by it.
- a) Both the Statements I and II are not correct. b) Statement I is correct and Statement II is not correct.
- c) Statement II is correct and Statement I is not correct. d) Both the Statements I and II are correct.
17. Vimal Masala and Sons is a manufacturer of tobacco products. It decided to increase profits by at least 20% in the next quarter. It has many options. [1]
- i. To increase the working hours of labourers without additional payment.
- ii. To employ children from the local community.
- iii. To sell its products outside the schools and colleges.
- It opted the (ii) and (iii) options to achieve the target.
- Identify the function of management described in the above para.
- a) Planning b) Controlling
- c) Organising d) Directing
18. Match the functions of management in Column I with their explanation in Column II: [1]
- | | |
|--------------|--|
| (a) Planning | (i) Setting goals in advance and developing a way of achieving them effectively and effectively. |
|--------------|--|



(b) Organising	(ii) Establishing an atmosphere that encourages employees to do their best.
(c) Directing	(iii) Determining what activities and resources are required.
(d) Controlling	(iv) Determining what activities and outputs are critical to success.

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

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

19. _____ are essential ingredients of sound working capital management. [1]

- a) All of these b) Efficient cash management
c) Efficient receivables management d) Efficient inventory management

20. Controlling function of an organisation is: [1]

- a) Backward looking b) Forward looking
c) Forward as well as backward looking d) None of the above

21. After completing his MBA degree, Aman joined a multinational company **Zeyovya Ltd.** His job demands long hours and commitment to the organisation. He is responsible for integrating diverse elements and coordinating all the activities of the business and for its impact on society. His job is complex and stressful. [3]

- a. Identify the level of management at which Aman joined the organisation.
b. State any two functions to be performed by Aman at this level other than those discussed in the para.

22. State the role of supervisor in the directing function of management. [3]

OR



After completing his bachelor's in computer science, Abhijeet joined an IT consultancy firm. He observed there that the senior management more often communicated failures than successes. They rarely shared any good news related to the growth of the firm or give any recognition to its employees for their extraordinary contributions towards the firm. As a result, Abhijeet never felt encouraged enough to work up to his full potential and started exploring other avenues for employment.

In context of the above case:

- a. Identify and explain the element of directing in the absence of which the employees don't feel encouraged to work.
- b. State the importance of this element as identified in part (a) by giving any two suitable points.

23. Explain the following as factors affecting **Financing Decision:** [3]
- i. Fixed operating costs and
 - ii. Cash flow position of the company

24. **Under the Consumer Protection Act 2019, a consumer is a person who uses or consumes goods or avails of any service.** Comment. [3]

OR

State any three points which highlight the importance of consumer protection from consumer's point of view.

25. Explain any three limitations of planning function of management. [4]

OR

Explain 'Method' and 'Rule' as types of plans.

26. How does controlling help in **efficient use of resources** and how does it **facilitate decision-making**? Explain. [4]

OR

State the meaning of controlling.

27. D&D Ltd. Co. is a large manufacturing unit. Recently, the company had conducted the 'time' and 'motion' studies and concluded that on an average a worker could produce 120 units per day. However, it has been noticed that average daily production of a [4]



worker is in the range of 80-90 units. What steps will you suggest to ensure that the actual performance is in accordance with the performance as per time and motion studies?

28. Explain the concept of 'Motivation' and 'Leadership'. [4]
29. Aditya Khosla, the Managing Director of 'D.L.W. Ltd.' and Rajesh Puri, the Finance Manager were discussing about avenues of investing the idle funds of the company. Aditya Khosla was of the opinion that money should be invested in the capital market whereas Rajesh Puri, being more conservative, felt that it would be better if the investment was made in the money market. Since the economy was buoyant, the Managing Director convinced Rajesh that they should take advantage of it and invest in the capital market to get good returns. Ultimately it was decided to invest the idle funds in the capital market. [4]
- i. What kind of instruments should the company buy?
 - ii. Why is the capital market expected to give a better return in a buoyant economy? State the reason.
 - iii. Why and how safe are the securities in this market as compared to the money market?
30. As a well-informed consumer, what kind of quality certification marks you will look for before buying 'products'? Specify and 6 points. [4]
31. What is meant by **Selection**? Explain any five steps involved in the process of selection of employees. [6]

OR

What is staffing? Explain any five points of importance of this function.

32. Explain, with examples, the various dimensions of business environment. [6]

OR

Bright Services is a taxi service provider. The company is targeting a revenue of 50 crore rupees this year. However with the passage of time it has found entrance of new service providers in the market which were not expected at one stage of time. It has a good team of technicians, drivers, software providers, etc. The company has decided to adopt to such continuously changing circumstances. It knows that if it has to expand in new countries it



will have to learn the basic differentiating factors like traffic rules, technological aspects, etc. Thus it understands that conditions are different in different countries.

Which features of Business Environment are discussed in the above case? Which force is discussed above?

33. What is meant by formal organisation? Explain any three features of formal organisation. [6]

34. After acquiring the necessary knowledge and skills on starting an Aloevera Farm, Ashok wanted to be the leading manufacturer of Aloevera products worldwide. He observed that the products were expensive as the demand of the products was more than the supply. He was also keen to promote methods and practice that were economically viable, environmentally sound and at the same time protecting public health. [6]

Ashok's main consideration was about the amount of money paid by the consumers in consideration of the purchase of Aloevera product. He also thought that competitors prices and their anticipated reactions must also be considered for this. After gathering and analysing information and doing correct marketing planning, he came to know that the consumers compare the value of a product to the value of money they are required to pay. The consumers will be ready to buy a product when they perceived that the value of the product is at least equal to the value of money which they would pay.

Since he was entering into a new market, he felt that he may not be able to cover all costs. He knew that in the long run the business will not be able to survive unless all costs are covered in addition to a minimum profit.

He examined the quality and features of the products of the competitors and the anticipated reactions of the consumers. Considering the same he decided to add some unique features to the packaging and also decided to provide free home delivery of the products.

The above case relates to a concept which is considered to be an effective competitive marketing weapon. In conditions of perfect competition most of the firms compete with each other on this concept in the marketing of goods and services.

- i. Identify the concept.
- ii. Explain briefly any four factors discussed in the above case related to the concept so identified.



SOLUTION
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1. **(a)** Management is a dynamic function

Explanation:

Management is a dynamic function

2.

- (c)** Dematerialisation of of Securities

Explanation:

In India, shares and securities are held electronically in a dematerialized (Demat) account, instead of the investor taking physical possession of certificates. A Demat account is opened by the investor while registering with an investment broker (or sub-broker).

3.

- (c)** Policies

Explanation:

Policies

4.

- (d)** Financial management

Explanation:

Financial management

5. **(a)** Taking corrective action

Explanation:

Taking corrective action

6.

- (c)** Initiative

Explanation:

The principle of initiative is violated here.

7.

- (c)** 25

Explanation:

25 lakh is required to obtain certificate of deposit

8.

- (c)** Placement and Orientation



Explanation:

Placement and Orientation

9.

(c) option (b)

Explanation:

Increased use of debt always lowers the overall cost of capital of the firm.

10.

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

Explanation:

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

11.

(c) 1988

Explanation:

The Securities and Exchange Board of India is the regulator for the securities market in India. It was established in the year 1988 and given statutory powers on 30 January 1992 through the SEBI Act, 1992.

12.

(b) Long-term investment decision

Explanation:

Long-term investment decision

13.

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

Explanation:

Statement I is correct and Statement II is not correct.

14.

(d) All of these.

Explanation:

Planning requires a lot of time to collect information, its analysis and interpretation. So, it is a time consuming process. When plans are drawn up huge costs are involved in their formulation. The environment in which a business survives is dynamic as it keeps on changing. The dynamic environment may sometimes lead to failure of plans.

15.

(b) All of these

Explanation:

All the options are components of financial management.



16.
(d) Both the Statements I and II are correct.
Explanation:
Both the Statements I and II are correct.
17. (a) Planning
Explanation:
Planning
18. (a) (a) - (i), (b) - (iii), (c) - (ii), (d) - (iv)
Explanation:
(a) - (i), (b) - (iii), (c) - (ii), (d) - (iv)
19. (a) All of these
Explanation:
All of these
20.
(c) Forward as well as backward looking
Explanation:
Controlling is a forward and backwards-looking function because it assesses the work is done and analyses deviations from the set standards and based on these deviations it attempts to take the required corrective measures to guides the future course of action and aims at improving future performance.
21. a. Based on the description, it appears that Aman joined the organization at the top-level management, such as the position of Chief Executive Officer (CEO), Chief Operating Officer (COO), or Chief Financial Officer (CFO), as his job involves integrating diverse elements, coordinating all activities of the business, and considering its impact on society.
b. In addition to the functions mentioned in the paragraph, Aman would also be responsible for the following functions at the top-level management:
i. **Strategic Planning:** Aman would be responsible for developing long-term plans and strategies for the organization, setting its objectives, and identifying the resources needed to achieve those objectives. This would involve conducting market research, analyzing competition, identifying new opportunities, and assessing the organization's strengths and weaknesses.
ii. **Corporate Governance:** Aman would be responsible for ensuring that the organization is managed in compliance with legal and regulatory requirements, and that it operates ethically and transparently. This would involve setting up appropriate policies and procedures, ensuring the integrity of financial reporting, and maintaining effective



communication with stakeholders. Aman would also be responsible for ensuring that the organization's resources are used efficiently and effectively to achieve its objectives.

22. i. Maintaining day to day contact and friendly relations with the workers. He should act as a friend, philosopher and a guide to the workers.
- ii. Providing good on the job training to the workers to build an efficient team.

OR

- i. The element of directing being referred to is motivation.
 - ii. The importance of motivation is described below:
 - a. Increased employee commitment: When employees are motivated to work, they will generally put their best effort into the tasks that are assigned to them.
 - b. Improved employee satisfaction: Employee satisfaction is important for every company because this can lead to positive growth for the company.
23. i. **Fixed Operating Costs:**
- If a business has high fixed operating costs, it must reduce fixed financing costs. Hence, lower debt financing is better.
 - Similarly, if fixed operating cost is less, more of debt financing may be preferred.
- ii. **Cash Flow Position of the Company:**
- A stronger cash flow position may make debt financing more viable than funding through equity
24. Under the Consumer Protection Act 2019, a consumer is a person who buys any goods or avails services for a consideration, which has been paid or promised, or partly paid and partly promised, or under any scheme of deferred payment. It includes any user of such goods or beneficiary of services if such use is made with the approval of the buyer, but does not include a person who obtains goods or avails services for re-sale or any commercial purposes.

OR

Importance of consumer protection from consumer's point of view is:

- i. **Spreading Awareness among the Consumers:** Due to widespread ignorance of consumers about their rights and reliefs available to them, they need to be made aware in this regard Consumer protection provides information to the ignorant consumers regarding their rights and reliefs available to them. With this, even the sellers who try to cheat the ignorant and illiterate consumers, become conscious and mend their ways.
- ii. **Unorganized consumers:** Consumers need to be organized for safeguarding their interests. In developing countries like India, consumers are not organized. In other words, there is a dearth of a National Level Consumer Organization. There are very few consumer



organizations which are working to protect the interests of consumers. Consumer protection encourages the establishment of more consumer organizations.

- iii. **Widespread exploitation of consumers:** Consumers are exploited by unscrupulous, exploitative and unfair trade practices of sellers. They might be exploited by unfair trade practices like defective and unsafe products, adulteration, hoarding, black marketing, etc. Consumers need protection against such unfair trade practices. Consumer protection has been a support system for all such consumers to protect their interests and provide them justice.

25. While business planning is important and a requisite for every organization, it does have some limitations:

- i. **Rigidity:** Once the planning function is complete and the action plan is set, then the manager tends to only follow the plan. The manager may not be in a position to change the plan according to circumstances. Or the manager may be unwilling to change the plan. This sort of rigidity is not ideal for an organization.
- ii. **Not ideal in Dynamic Conditions:** In an economic environment rarely anything is stagnant or static. Economic, political, environmental, legal conditions keep changing. In such a dynamic environment it becomes challenging to predict future changes. And if a manager cannot forecast accurately, the plan may fail.
- iii. **Planning can also reduce creativity:** While making a plan takes creativity after that managers blindly follow the plan. They do not change the plan according to the dynamic nature of the business. Sometimes they do not even make the appropriate suggestions to upper management. The work becomes routine.

OR

Rule:

- (i) Rules are specific statements that inform or guide the employees what should or shouldn't be done in the organisation.
- (ii) Rule is a standing type of plan. They are generally formalised in writing and are not made for individual.
- (iii) They do not allow for any flexibility or discretion. It reflects a managerial decision that a certain action must or must not be taken.
- (iii) For example, 'No Smoking' is a rule in some work areas and other places. Similarly, organisations formulate service rules and work rules on recruitment, promotion, leave, transfer, discipline, retirement, and so on.

Method:

- (i) Methods provide the best possible way to do a task and are performed for achievement of



the objective.

(ii) Selection of proper method saves time, money and effort and increases efficiency.

(iii) For example, there are a number of methods for training the new employees amongst all the organisation. For higher level management orientation programmes, lectures and seminars can be organised whereas at the supervisory level, on the job training methods and work oriented methods are appropriate.

26. i. **Controlling helps inefficient use of resources-** Controlling help inefficient use of resources. An effective controlling system seeks to reduce wastage and spoilage of resources because activities are performed in accordance with predetermined standards.
- ii. **Controlling facilitates decision-making-** Controlling and decision-making are considered to be twins. The process of controlling is complete only when corrective measures are taken. This requires taking the right decision as to what type of follow up action is to be taken. Controlling helps in quick decision-making by bringing together all the units in action.

OR

Controlling is a basic managerial function. Controlling consists of verifying whether everything occurs in conformities with the plans adopted, instructions issued and principles established.

27. The following steps can be taken:

- (i) Eliminate unnecessary movements in doing a work;
- (ii) Conduct 'Fatigue study' and provide rest intervals to employees so as to enable them to regain lost stamina;
- (iii) Use 'Differential piece wage system' in which efficient and inefficient workers are paid at different rates. It will motivate the workers to put in their maximum efforts.

28. Motivation is a goal-oriented characteristic that helps a person achieve his objectives. It pushes an individual to work hard at achieving his or her goals. An executive must have the right leadership traits to influence motivation. However, there is no specific blueprint for motivation.

As a leader, one should keep an open perspective on human nature. Knowing different needs of subordinates will certainly make the decision-making process easier.

Both an employee as well as manager must possess leadership and motivational traits. An effective leader must have a thorough knowledge of motivational factors for others. He must understand the basic needs of employees, peers and his superiors. Leadership is used as a means of motivating others.

29. i. The company should buy Shares, debentures, bonds.



- ii. The Capital market is expected to give a better return in a buoyant economy as
 - a. The securities are held for a longer duration
 - b. There is a scope of earning capital gains on shares.
 - iii. The securities are safe in this market as compared to the money market because:
 - a. Capital markets are well organized whereas money markets are not that organized
 - b. Liquidity is high in the money market whereas liquidity is comparatively low in capital markets.
 - c. Due to high liquidity and low duration of maturity in money markets, Instruments in money markets are a low risk whereas capital markets are the comparatively high risk.
30. Some of the quality certification marks are:
- i. **FPO (Fruit Products Order 1955)** - It contains specification and quality control requirements regarding the production and marketing of processed fruits and vegetables, sweetened aerated water, vinegar and synthetic syrups.
 - ii. **ISI**- On consumer durable products. ISI mark is a certification mark for industrial products in India. It is the most popular and recognised certification mark in the Indian subcontinent. This mark ensures that the product conforms to the Indian standards mentioned by the Indian Standard Institute.
 - iii. **Hallmark**- BIS certification scheme for gold jewellery items.
 - iv. **Earthen Pitcher**- for Labelling Environment-friendly products.
 - v. **AGMARK** - It is a grade standard for agricultural commodities and like stock products.
 - vi. **Wool mark**- It signifies 100% pure wool.
31. Selection is the process of carefully screening the candidates out of a large number of applicants who offer themselves for the appointment so as to choose the most appropriate person for the job.
- Main steps of the selection process adopted by big organisations are:
- i. **The preliminary:** Applications forms are scrutinized on the basis of qualifications and whose conditions are not acceptable to the organisation are not called for preliminary interview.screening
 - ii. **Selection tests:** Through these test, ability and skill of the candidate are measured. It includes proficiency tests, psychological tests, mental ability etc.
 - iii. **Employment Interview:** Having successfully cleared all tests, the candidate is called for the final interview. An interview is a phase of testing on the basis of face to face interaction between the interviewer and the applicant.
 - iv. **Reference and background checking:** Gather more information about the candidates from those persons whose names are mentioned in the column of "References", candidate's



friends or previous employer.

- v. **Selection decision:** Candidates who clear Selection tests, Employment interview and Reference checks are selected. The opinion of the concerned manager where the selected employee has to work is sought.
- vi. **Medical Test:** The candidate is put to a medical examination with three aims: a) physical fitness b) infectious disease c) excessive expenditure on the treatment of the employees.
- vii. **Job offer:** Letter of appointment mentioning the date by which a candidate has to report on duty is handed over to the appointee.
- viii. **Contract of employment:** After the acceptance of job offer by a selected candidate, he signs various documents like Contract of Employment. It includes various details such as pay, allowances, work rules etc.

OR

Staffing is that part of the process of management which is concerned with obtaining, utilising and maintaining a satisfactory and satisfied workforce. Importance of staffing are as follows:

- i. **Obtaining competent personnel:** It helps in discovering and obtaining competent personnel for various jobs.
 - ii. **Higher performance:** It ensures higher performance, by putting right person on the right job.
 - iii. **Continuous survival and growth:** It ensures the continuous survival and growth of the enterprise through the succession planning for managers.
 - iv. **Optimum utilisation of human resources:** It helps to ensure optimum utilisation of the human resources. By avoiding overmanning, it prevents under-utilisation of personnel and high labour costs. At the same time it avoids disruption of work by indicating in advance the shortages of personnel.
 - v. **Improves job satisfaction:** It improves job satisfaction and morale of employees through objective assessment and fair reward for their contribution.
32. The various dimensions of business environment are explained as follows:
- 1. **Economic Environment:** Economic environment consists of GDP (Gross Domestic Product), interest rates, inflation rates, increase or decrease in disposable income of people, share market indices and increase or decrease in value of rupee are some important economic factors which affect working of a business firm. A business firm is primarily an economic organization and its welfare and survival is ultimately dependent on economic environment and market conditions. For example; increase or decrease in the rate of



interest will affect the demand for product and services, increase in disposable income of people will create demand for products and services.

2. **Social Environment:** Social environment is also uncontrollable force which affects the performance of an enterprise. Social environment includes social forces i.e. values, social trends, customs, traditions and society's expectations from business etc. if any business organization does not adapt the social environment then it will lead to the dissatisfaction among its customers and rejection of its products.
For example; celebration of Diwali, New Year, and Christmas etc. provides business opportunities to greeting card companies, sweets and confectionery manufacturers etc.
3. **Political Environment:** Political stability and peace in the country would provide a healthy business environment and new opportunities for growth and development. It sends a signal of strength, confidence to various interested groups and investors. Political instability will have negative impact upon business and there may be uncertainty of business activities. Attitudes of government officials towards business may have either positive or negative impact upon business. For the growth of business and economy, political stability is necessary.
4. **Technological Environment:** Technological environment include the scientific improvements, methods, innovations, techniques and approaches adopted by a business firm for production of goods and services and its distribution. Technological environment provides new ways of producing goods and services and new methods and techniques of operating a business firm. For example; technological advancement in computers and electronics has change the method of advertising a product, airline companies like Jet Airways and Air India have internet and World Wide Web pages where customers can look for flight and book their tickets online
5. **Legal Environment:** Legal environment means framework of laws and various legislations within which a business firm organizes its business activities. It is necessary for all business firms to obey the law of land. Legal environment consists of various legislations passed by the Parliament and State Legislatures, administrative orders issued by the government authorities, court judgments and decisions rendered by various commissions and agencies at every level of the government (Central, State or Local). Proper knowledge of these rules and regulations is necessary for the better business performance. For example; a business firm cannot advertise alcohol beverages on Television. It is prohibited, on the packets of cigarettes, it is compulsory to provide a statutory warning "Cigarette smoking is injurious to health".

OR



The various features of Business Environment which are discussed above are:

- i. **Uncertainty:** However with the passage of time it has found entrance of new service providers in the market which were not expected at one stage of time. The changes in the business environment cannot be predicted accurately because of future uncertainties.
- ii. **Dynamic nature:** The company has decided to adapt to such continuously changing circumstances.
- iii. **Relativity:** Thus it understands that conditions are different in different countries. The type of force which is discussed above is General Force-Legal (Traffic rules), Technological (Technical aspects). Business Environment differs from place to place, region to region and country to country.

33. Formal organization is a network of set rules, set responsibilities and a clear account of all the job positions.

Features of the formal organization are as follows:

- i. **Defined inter-relationship:** It is a sort of arrangement which clearly defines the mutual relationship. Everybody knows their authority and responsibilities. This clearly shows who will be reporting to whom. In case one violates this relationship, he can be there and then held responsible for the same
- ii. **Based on rules and procedures:** It is important to observe all the pre-determined rules and procedures in the formal organization. The objectives laid down under planning are thus achieved.
- iii. **Based on the division of work:** The chief basis of formal organization is the division of work. It is this that connects the efforts of different departments with each other.
- iv. **Deliberately created:** It is deliberately created in order to achieve the objectives of the organisation in an easy manner.
- v. **It is more stable:** Changes cannot be introduced because of the needs of individuals and their wishes. Therefore, it is more stable.

34. i. The concept referred to above is Pricing. Price is the value that is put to a product or service and is the result of a complex set of calculations, research and understanding and risk taking ability. A pricing strategy takes into account segments, ability to pay, market conditions, competitor actions, trade margins and input costs, amongst others. It is targeted at the defined customers and against competitors.
- ii. The four factors discussed in the above case related to the concept so identified are:
- a. **Product Cost:** The total cost of product includes production, selling and distribution costs. In the long run the firm strives to cover all their costs. The cost sets the minimum



level or floor price for a product. In addition to that firm aims to earn a profit margin over and above the costs.

- b. The Utility and Demand: It is necessary to anticipate the utility and demand of a product, while fixing the price, as if a product is offering higher utility, one can easily charge high price from the customer. Whereas, if utility is low, one cannot charge a high price for such products.
- c. The extent of Competition in the Market: The price of a product can be set up to the higher limit, if the extent of competition is low in the market, and vice-versa. Competitors' price, their reactions, their product, quality and features must be considered before fixing the price.
- d. Government and Legal Regulations: To protect the interest of general public, the government has all the rights to control the prices of various products and services by including the products in the category of essential commodities such as drugs, some food items, LPG, etc.

