

SAMPLE QUESTION PAPER - 2
BUSINESS STUDIES (054)
CLASS XII

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. The sales department accuses production department for the poor sales due to late delivery of goods, production department accuses purchase department for not delivering the raw material in time and purchase department accuses finance department for not releasing funds on time. Which quality of management is missing in the above situation? [1]
 - a) Poor hierarchy
 - b) Cooperation
 - c) Planning
 - d) Coordination
2. Call money is used to: [1]
 - i. maintain a minimum cash balance known as a cash reserve ratio
 - ii. to meet floatation cost
 - iii. to meet working capital needs
 - iv. to meet fixed capital needs
 - a) ii and iii
 - b) only i
 - c) iv and i
 - d) iii and iv
3. _____ is the general response to a particular problem or situation. [1]
 - a) Objective
 - b) Rule
 - c) Policy
 - d) Strategy
4. The foremost objective of financial management is: [1]



a) Profit maximisation

b) Maximisation of shareholders' wealth

c) Maintenance of liquidity

d) Maximisation of market share

5. As per which principle, an attempt to control everything results in controlling nothing. [1]

a) Management by exception

b) Corrective Action

c) Actual Performance

d) Critical Point Control

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. Financial market _____ financial assets. [1]

a) Exchange

b) Creates

c) Creates and Exchange

d) Interchange

8. Rajan Ltd. decided to change their organization structure and shift to functional structure. So, it decided to hire four different Heads for Sales, Accounts, Purchase and Production from outside the company to bring fresh talent. It publishes advertisement and shortlists 20 candidates for each position after conducting various selection tests. Out of the following, identify the next step to be followed by Rajan Ltd. [1]

a) Selection decision

b) Employment interview

c) Preliminary screening

d) Reference and background check

9. Which of the following statements is incorrect? [1]



- i. A low Debt Service Coverage Ratio indicates better ability to meet cash commitments and consequently, the company's potential to increase debt component in its capital structure.
- ii. Use of higher debt increases the cost of equity.
- iii. Low interest rates increase a firm's capacity to employ higher debt.
- iv. None of the above

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

10. **Assertion (A):** A large sized organisation can be totally decentralised. [1]

Reason (R): As an organisation grows in size and complexity, there is a tendency to move towards decentralised decision-making.

- 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. The expected rate of return of the money market is _____. [1]

- a) Very high
- b) Zero
- c) Less
- d) More

12. Samara Ltd. has Debt Equity ratio of 3 : 1 whereas Gehlot Ltd. has Debt Equity ratio of 1 : 1. Name the advantage Samara Ltd. will have over Gehlot Ltd., when the rate of interest is lower than the rate of return on investment of the company. [1]

- a) Low risk
- b) Greater flexibility
- c) Trading on equity
- d) Low cost of equity

13. **Statement I:** The Consumer Protection Act 2019 has replaced the Act 1986 and seeks to widen its scope in addressing consumer concerns. [1]

Statement II: The Consumer Protection Act 2019 provides for Setting up of Consumer Mediation Cell to ensure faster dispute settlements by respective commissions.

- a) Statement II is correct and Statement I is not correct.
- b) Both the Statements I and II are not correct.

c) Both the Statements I and II are correct.

d) Statement I is correct and Statement II 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. What is included in financial planning? [1]
- A. Preparation of a financial blueprint of an organization's future operations.
B. Ensuring enough funds are available at the right time.
C. To increase shareholders wealth

a) All of these

b) Only A

c) Only B

d) Only C

16. **Statement I:** Physical distribution includes the decision regarding channels of distribution or the marketing intermediaries (like whole salers, retailers) to be used only. [1]
Statement II: Physical distribution includes the decision areas related to physical movement of the product from where it is produced to a place where it is required by the customer for their consumption or use.

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

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

c) Both the Statements I and II are correct.

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

17. A sanitizer manufacturing company wants to become a market leader. For this purpose the manager follows an activity with certain logical steps. The first step suggested by him is to increase profits by at least 30% in the next quarter. What will be the last step of the activity being followed by the manager. [1]



a) Identifying alternative course of action

b) Evaluating alternative courses of action

c) Setting objectives

d) Follow-up action

18. Match the functions of management in Column I with their explanation in Column II: [1]

(a) Organising	(i) Leading, influencing and motivating employees to perform the tasks assigned to them.
(b) Staffing	(ii) Recruitment and selection of the personnel.
(c) Directing	(iii) Assigning duties, grouping tasks, establishing authority and allocating resources required to carry out a specific plan.

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

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

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

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

19. Which component of capital structure determines the overall financial risk? [1]

a) None of these

b) Equity

c) Debt

d) Both Debt and Equity

20. What type of nature, controlling has? [1]

a) Both positive and negative approach

b) Negative approach

c) Neutral approach

d) Positive approach

21. Rohan Enterprises decides to have a meeting of all the key employees of different departments in the organisation. The main motive is to tell the employees to keep the target of 20% increase in sales as the main objective when they work throughout the year. The meeting is full of ideas regarding the employees and processes involved. Various plans are made to harness the potential of the employees and streamline the processes. However with the passage of a few days the external business environment checks the capability of the organisation to adapt to the situations. The company successfully comes out at the end of the year with flying colours. [3]

What are the various characteristics of management you can find highlighted here? Also identify the lines in which these characteristics have been highlighted.

22. Identify the Maslow's hierarchy need highlighted in the following cases: [3]

1. Autonomy status and prestige in the society help to satisfy this need.



2. Motivators like pension plans and job security help to satisfy this need.
3. This need is satisfied when one becomes what he is capable of becoming.
4. These needs include need for food, shelter, clothing and basic necessities of life.
5. Informal groups are often formed to satisfy this need.
6. This need aims to get recognition and respect from others.
7. This need aims to ensure that one will be able to meet the physiological needs in future also.
8. Challenging jobs and opportunities for innovation help to satisfy this need.
9. This need satisfies the need for love and social interaction.

OR

Ahaan, an employee, is given a target of assembling five laptops per day. Due to his habit of doing things differently, an idea struck his mind which would reduce the assembling time of laptops and reduce the cost of production. Nitin, senior of Ahaan appreciated the suggestion and displayed Ahaan's achievement on the notice board and in the company's newsletter.

- i. Name the incentive provided to Ahaan.
- ii. Explain the incentive.

23. Length of production cycle affects the working capital requirements of an organisation. Explain how? [3]
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

A ready-to-eat food manufacturing company uses lead in excess of the prescribed limits in its products. The usage of an excess quantity of lead in the products could cause severe health issues to the consumers.

- a. Identify and explain the consumer right violated by the company.
- b. Identify any two values overlooked by the company.

25. The process of planning involves certain logical steps. Explain the first four steps of this "process". [4]

OR

Explain objectives and strategy as types of plan.

26. How does controlling help in achieving objectives and improving employee's morale ? [4]

OR



What are the factors to be kept in mind while setting standards?

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. Identify by quoting lines, the two principles of management mentioned in the above paragraph and give their meaning. [4]
28. Identify the need from the **Maslow's Need Hierarchy** in the following statements and also state the four assumptions on which Maslow's theory is based. [4]
- These needs refer to affection, sense of belongingness, acceptance and friendship.
 - It refers to the drive to become what one is capable of becoming.
 - These needs include factors such as self-respect, autonomy status, recognition and attention.
 - These needs provide security and protection from physical and emotional harm.
29. After completing the Online NSE Academy Certified Capital Market Professional (E-NCCMP) course Bhavya along with her five other school friends started an investment portal for online trading and investment under the name 'Go Lucky'. As per law, in order to open an account with a Depository, they first got their business registered with the Securities and Exchange Board of India. Through 'Go Lucky' portal an investor can either trade in existing securities of the companies or invest in the e-ipos. In the context of the above case: [4]
- What is the name given to the intermediaries like 'Go Lucky' who serve as a link between investors and depository?
 - Name the depositories operating in India..
 - Mention any one function being performed by 'Go Lucky' as a DP.
 - What are the two segments of the capital market in which an investor can deal through 'Go Lucky' portal?



30. Explain the rights and responsibilities of consumer? [4]

31. Mr. Govind, the CEO of Super Ltd, believes that human resource is the most important asset of the firm. He believes that no organisation can be successful unless it can fill and keep filled the various positions provided for in the structure with the right kind of people. [6]
Identify the function of management being discussed above and state the benefits to the organisation that its proper application in the firm will ensure.

OR

Moga Industries Ltd. approached a well-established university in the city of Madurai to recruit qualified personnel for various technical and professional jobs. They selected Tanya, Ritu, Garima, and Chetan for various vacancies in the organization. After the selection and placement, 'Moga Industries Ltd.' felt the need to increase the skills and abilities, and the development of a positive attitude of the employees to perform their specific jobs better. The company also realized that learning new skills would improve the job performance of the employees. Hence, the company decided to take action for the same.

- i. Name the step of the staffing process regarding which the company decided to take action.
- ii. State the benefits of the action to Moga Industries Ltd.

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 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. [6]
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

How does the understanding of business environment help the management in the following

- i. Identification of threats and early warning signals
- ii. Identify threats and early warning signals
- iii. Assist in planning and policy formulation
- iv. Improving performance
- v. Tapping useful resources



33. Explain elements of delegation of authority. [6]

34. Haryaram is a famous chain selling a large variety of products in the Indian market. [6]
Their products include chips, biscuits, sweets and squashes. It charges a comparatively higher price than its competitors as it sells quality products. Besides, it offers regular discounts to its customers and easy credit terms to its retailers. It has five of its own retail shops. It also sells its products through various grocery stores so that the products are made available to customers at the right place, in the right quantity and at the right time. It regularly uses different communication tools to increase its sales.
The above paragraph describes the combination of variables used by Haryaram to prepare its market offering. Identify and explain the variables.

Solutions

1.
(d) Coordination
Explanation: Coordination
2.
(b) only i
Explanation: Maintain a minimum cash balance known as a cash reserve ratio. RBI changes the CRR of India from time to time basis.
3.
(c) Policy
Explanation: Policy
4.
(b) Maximisation of shareholders' wealth
Explanation: The primary aim of financial management is to maximise shareholders' wealth, which is referred to as the wealth maximisation concept
5. **(a)** Management by exception
Explanation: Management by exception, which is often referred to as control by exception, is an important principle of management control based on the belief that any attempt to control everything results in controlling nothing.
6.
(c) Initiative
Explanation: The principle of initiative is violated here.
7.
(c) Creates and Exchange
Explanation: Financial market Creates and Exchange financial assets
8.
(b) Employment interview
Explanation: Interview is a formal, in-depth conversation conducted to evaluate the applicant's suitability for the job. The role of the interviewer is to seek information and that of the interviewee is to provide the same.
9. **(a)** Option (i)
Explanation: A higher DSCR indicates better ability to meet cash commitments and consequently, the company's potential to increase debt component in its capital structure.
10.
(d) A is false but R is true.
Explanation: A is false but R is true.
11.
(c) Less



Explanation: The money market yield will be lower than the yield on stocks and bonds because of the low risk.

12.

(c) Trading on equity

Explanation: If the ROI of the company is higher, it can choose to use trading on equity to increase its EPS, i.e., its ability to use debt is greater.

13.

(c) Both the Statements I and II are correct.

Explanation: Both the Statements I and II are 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. **(a)** All of these

Explanation: Financial planning is essentially the preparation of a financial blueprint of an organization's future operations. The objective of financial planning is to ensure that enough funds are available at right time. Its objective is to increase shareholders wealth.

16.

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

Explanation: Statement II is correct and Statement I is not correct.

17.

(d) Follow-up action

Explanation: Follow-up action

18.

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

Explanation: (a) - (iii), (b) - (ii), (c) - (i)

19.

(c) Debt

Explanation: Debt is cheaper but is more risky for a business because the payment of interest and the return of principal is obligatory for the business.

20. **(a)** Both positive and negative approach

Explanation: Both the positive approach and negative approach, because controlling acts as forward and backwards both, as it corrects positive and negative both deviations.

21. The various characteristics of management involved here are:

- i. **Goal Oriented:** The main motive is to tell the employees to keep the target of 20% increase in sales as the main objective when they work throughout the year. Every

organisation has a set of goals that they are constantly working towards.

- ii. **Multidimensional:** Various plans are made to harness the potential of the employees and streamline the processes. Employees-People, and Streamline the process-Operations.
- iii. **Dynamic:** However with the passage of a few days the external business environment checks the capability of the organisation to adapt to the situations. It is dynamic in nature because It is constantly changing and adapting according to the needs of the environment.

22. 1. Esteem Needs;
2. Safety or Security Needs;
3. Self-Actualization Needs;
4. Basic/ Physiological Needs;
5. Affiliation or Belonging Needs;
6. Esteem Needs;
7. Safety or Security Needs;
8. Self-Actualization Needs;
9. Affiliation or Belonging Needs.

OR

- i. Recognition.
- ii. Recognition means acknowledgement with a show of appreciation. When the efficiency and innovation of an employee are recognised, he feels motivated to perform and work at a higher level. Following are the examples of employee recognition:
 - a. Rewarding the employee
 - b. Issuing certificate for best performance
 - c. Displaying on the notice board about the achievement of the employee.

23. There is always a time gap between receipt of raw material and its conversion into finished goods. This time gap is called production cycle or Operating Cycle. Lengthier Operating Cycle demands more working capital because more funds are required to buy raw materials and to meet the expenses. The more the time involved in the Production Cycle, the more expenses incurred in terms of cost of raw material, labour cost, overheads, etc. and thus the working capital requirement is higher. In case of a shorter production cycle, less working capital is required.
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



a. **Right to Safety-** According to this right, the consumer has a right to be protected against goods and services which are hazardous to health, life and property.

b. **Values-**

- i. Health and safety of its customers.
- ii. Business ethics.

25. The steps involved in the "planning process" are as follows:

1. **Establishing objectives:** Objectives are those endpoints for whose attainment all the activities are undertaken. These should be realistic, specific and clear so as to specify what is to be accomplished by the network of policies, procedures, strategies, rules, and programmes. Thus, the first step in the planning process is defining objectives.
2. **Developing premises:** Planning premises are the anticipated environments in which plans are expected to operate. They include assumptions or forecasts of the future and known conditions that will affect the operation of the plans. They provide useful facts and information and facilitate the work of planning.
3. **Identifying the alternative courses of action:** The next step in the planning process is to identify the various alternatives available to achieve the objectives. Most of the times identifying the various alternatives is a difficult task and it depends upon the creativity and logical thinking of the planner which opens up different avenues for the firm.
4. **Evaluating the alternatives courses of action:** At this stage, it is seen as to what extent a particular course can help in the attainment of the objectives. Each and every alternative has its own pros and cons. Every alternative is evaluated with its merits and demerits in the light of the objectives to be achieved and their feasibility is judged accordingly.

OR

Objectives

- These are defined as end results which the management seeks to achieve by its operations
- These are set by the top management of the organisation.
- Different departments and units may have their own objectives.
- These are expressed in quantifiable terms.
- There must be a time limit for the achievement of objectives.
- For example, an increase in sales by 10% or decrease in rejections by 2%.

Strateg

- A strategy is a comprehensive plan to achieve organisational objectives.
- The dimensions of strategy are:
 - a. Determining long-term objective.
 - b. Adopting a particular course of action.
 - c. Allocating resources for achieving the objectives.
 - A strategy is formulated after scanning the business environment.



- It studies environmental opportunities and threats and tries to fix a match between them and the organization's resources.

26. Controlling helps in achieving objectives and improving employees' morale by following ways:

1. By continuously measuring the performance in the light of organisational goals brings out the deviations, if any, and indicates the corrective actions to be taken which helps in measuring the status. Thus, controlling keeps the organisation on the right track and helps the organisation to manage future contingencies.
2. The implementation of controlling makes all the employees to work with complete dedication and boost their morale because they are aware that their performance will be evaluated, and they will have a chance to build their reputation in the organisation. The employees with good performance record are promoted or given higher incentives or bonus for their achievement.

OR

Factors to be kept in mind while measuring standards are :

- i. They should be in measurable terms.
 - ii. They should be flexible to change.
 - iii. They may be in qualitative or quantitative terms
 - iv. Standards should be stated in clear terms without any ambiguity and confusion.
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. The need from Maslow's Need Hierarchy in statement is "belongingness needs" or "social needs".

The four assumptions on which Maslow's theory is based are:

- i. **Hierarchy of needs:** Human needs are arranged in a hierarchical order, with lower-level needs needing to be satisfied before higher-level needs.
 - ii. **Prepotency:** When one need is mostly satisfied, the next higher-level need becomes the motivator.
 - iii. **Need progression:** The needs follow a sequential progression, where individuals strive to satisfy lower-level needs before moving on to higher-level needs.
 - iv. **Self-actualization:** The ultimate goal is self-actualization, which is the realization of one's full potential and personal growth.
29. a. The intermediaries like 'Go Lucky' who serve as a link between investors and depository are called Depository participants. A depository helps interacting with the investors through its agents which are called Depository Participants (DPs) like banks,

investors who want to enjoy the services of a depository in terms of buying and selling stocks/shares have to open an account with the depository participant.

- b. National Securities Depository Limited NSDL and Central Depository Services Limited (CDSL) are the two depositories operating in India.
- c. A depository participant is authorised to maintain D-Mat accounts of the investors.
- d. Primary market and Secondary market are the two segments of the capital market in which an investor can deal through 'Go Lucky' portal.

30. The Consumer Protection Act provides six rights to consumers. They are as follows

- i. **Right to Safety:** The consumer has a right to be protected against goods and services which are hazardous to life, e.g., sometimes we purchased the food items of low quality which causes severe problems. Thus, in this case, we should purchased good quality and FPO labelled products.
- ii. **Right to be Informed :** The consumer has a right to have complete information about the product, which he intends to buy including its ingredients, date of manufacture, price, quantity, directions for use etc. Under the legal framework of India manufactures have to provide such information on the package and label of the product.
- iii. **Right to Choose:** The consumer has the freedom to choose from a variety of products. The marketers should offer a wide variety of products and allow the consumer to make a choice and choose the product which is most suitable. ‘
- iv. **Right to be Heard :** The consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or a service. It is because of this reason that many enlightened business firms have set up their own consumer service and grievance cells.
- v. **Right to Seek Redressal:** The Consumer Protection Act provides a number of reliefs to the consumer including replacement of the product, removal of defect in the product, compensation paid for any loss or injury suffered by the consumer etc.
- vi. **Right to Consumer Education** The right of every Indian citizen to have education on matters regarding consumer protection as well as about her/his right is regarded as the last right provided by the Consumer Protection Act 1986. The right makes sure that the consumers in the country have informational programs and materials which are easily accessible and would enable them to make purchasing decisions which are better than before. Consumer education might refer to formal education through college and school curriculum as well as consumer awareness campaigns being run by non-governmental and governmental agencies both. Consumer NGOs, having little endorsement from the government of India, basically undertake the task of ensuring the consumer right throughout the country. India is found to be 20 years away from giving this right that gives power to the common consumer.

Consumer Responsibilities

A consumer must be aware about these responsibilities while purchasing, using and consuming goods and services



- i. Consumer must be aware of all their rights.
- ii. Consumer must be careful while purchasing a product.
- iii. He should file complaint for the redressal of genuine grievances.
- iv. Consumer must buy a standardised good.
- v. He should ask for a cash-memo on purchase of goods and services
- vi. Consumer should have the Responsibility to Respect the Environment and avoid waste, littering and contribution to pollution

31. Staffing can fill and keep filled the various positions provided for in the structure with the right kind of people.

Proper staffing ensures the following benefits to the organization:

- i. helps in discovering and obtaining competent personnel for various jobs;
- ii. makes for higher performance, by putting right person on the right job;
- iii. ensures the continuous survival and growth of the enterprise through the succession planning for managers;
- iv. helps to ensure optimum utilisation of the human resources. By avoiding overmanning, it prevents underutilisation of personnel and high labour costs. At the same time it avoids disruption of work by indicating in advance the shortages of personnel; and
- v. improves job satisfaction and morale of employees through objective assessment and fair rewarding of their contribution.

OR

- i. The step of the staffing process regarding which the company decided to take action is Training and Development.
- ii. The benefits of training to "Moga Industries Ltd." are as follows:
 - a. The training imparts systematic learning to employees thereby helps to avoid wastage of efforts and money and is considered better than the hit and trial methods.
 - b. It increases the employee's productivity both in terms of quantity and quality, leading to higher profits.
 - c. Training increases the morale of the employees and reduces absenteeism and employee turnover.
 - d. It helps in obtaining an effective response to fast-changing environment-technological and economic.
 - e. Training equips the future manager who can take over in case of an emergency.

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

In the present day of competitive market, it is essential for a business to remain alert and aware of its environment, because of the following reasons:

- i. **Identify opportunities & getting the first mover advantage:** Awareness of environment helps an enterprise to identify the opportunities prevailing in the market. They can make strategies to capitalise such opportunities at the earliest. e.g. Maruti Udyog became the leader in the small car market because it was the first company who recognised the need for small cars in the environment.
- ii. **Identify threats and early warning signals:** Environmental awareness helps an enterprise in identifying possible threats in the future, so that the enterprise can take timely measures to minimise the threat and its adverse effects, if any, e.g; when the new firms entered the mid-segment cars (threat), Maruti Udyog increased the production of its Esteem car. Increase in production enabled the company to make faster delivery. As a result, the company captured a substantial share of the market and became a leader in this segment.
- iii. **Assist in planning and policy formulation:** Environment awareness helps a business unit to identify opportunities and threats in the market. These serve as a basis for planning future course of action and making policies for the same.
- iv. **Improving performance:** An enterprise that monitors its environment continuously is in a position to improve not only its present performance but also improve its future performance. This ensures success of the business in the long-run.
- v. **Tapping useful resources:** A business environment is an open system which gets resources such as capital, labour, machines, materials, etc from the environment, converts them into goods and services desired by the customers and then supplies



its output to the environment. Thus, a business firm depends on its external environment for tapping various resources and for the sale of its output.

33. Delegation means sharing of authority by a superior with his subordinate and make him confident to assume the same position in the future.

i. **Authority:** It refers to the right of an individual to command his subordinates and to take action within the scope of his position.

a. Authority is needed to discharge a given responsibility to the subordinates.

Without authority, it is like a toothless tiger sent for the hunt.

b. It flows from top to bottom of the scalar chain on the basis of hierarchical job positions.

c. The superior has authority over the subordinates. It is highest at the top management, However, it reduces as we move downward in the corporate hierarchy.

ii. **Responsibility:** It is the obligation of a subordinate to properly perform the assigned duties.

a. Responsibility arises from a superior-subordinate relationship because the subordinate is bound to perform the duty assigned to him by his superior.

Responsibility is by default, while, the Authority is deliberate in nature.

b. Responsibility flows upwards, i.e. from bottom to top. A subordinate will always be responsible to his superior based on the principle of Unity of Command.

iii. **Accountability:**

a. Accountability implies 'being answerable for the final outcome of the assigned task'. Where responsibility ends, the accountability originates.

b. Accountability flows upwards, i.e. a subordinate will be accountable to his superior for satisfactory performance of the assigned work.

34. The four Ps are the key factors that are involved in the marketing of a good or service.

They are the product, price, place, and promotion. Often referred to as the marketing mix, the four Ps are constrained by internal and external factors in the overall business environment, and they interact significantly with one another. As per this question these 4 ps i.e. product, place, price, and promotion are used by the Haryarama to to prepare its market offerings

The combination of variables used by Haryaram to prepare its market offerings are described below:

a. **Product:** "Their products include chips, biscuits, sweets and squashes."

A product is anything of value i.e. a product or service offered to a market to satisfy its needs or wants. A product includes physical product, after sale service, handling grievances etc. The type of product also partially dictates how much businesses can charge for it, where they should place it, and how they should promote it in the marketplace. Every marketer needs to constantly review and revise its products in order to enhance customer's satisfaction and have a competitive edge.



- b. **Price:** "It charges a comparatively higher price than its competitors."

Price is the monetary value paid in consideration for the purchase of a product or service by a buyer to its seller. It is a very crucial decision for the marketers as consumers are very sensitive to the pricing. The factors affecting price determination are the cost of the product, the utility and demand, the extent of competition in the market, government and legal regulations, pricing objectives and marketing methods used.

- c. **Place:** "It has five of its own retail shops." Or "It also sells its products through various grocery shops."

It is considered an important element of marketing mix because it includes all those activities that help in making the goods and services available to the prospective buyers in the right quantity, at the right time and in the right condition. The two main decisions involved in physical distribution are a physical movement of goods from producers to consumers and choice of channels of distribution.

- d. **Promotion:** "It regularly uses different communication tools to increase its sales."

Promotion refers to the set of activities undertaken by a marketer to inform the prospective buyers about the product and persuade them to make a purchase. The various components of promotion mix are advertising, sales promotion, personal selling and public relation."

