

Class XII Session 2025-26

Subject - Business Studies

Sample Question Paper - 8

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 style of singing of Arijit Singh and Honey Singh are to each other, however, they acquired the same knowledge of ragas. [1]

Identify the feature of the art discussed above.

- i. Based on practice and creativity
- ii. Universal validity
- iii. Existence of theoretical knowledge
- iv. Personalized application

- | | |
|------------|---------------|
| a) only ii | b) iii and iv |
| c) only iv | d) i and ii |

2. Choose the **incorrect** statement about **Money market**: [1]

- | | |
|--|--|
| a) It deals in medium and long term securities. | b) Participation in this market is by and large undertaken by institutional participants such as the Reserve Bank of India, banks, financial institutions and finance companies. |
| c) The main instruments traded in this market are Treasury bills, Trade bills, Commercial paper and Certificates of deposit. | d) In this market, transactions entail huge sums of money as the instruments are quite expensive. |

3. **Assertion (A):** Planning is done solely by the top-level management. [1]

Reason (R): Lower Level Management helps in the implementation of plans.

- | | |
|---|---|
| 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. |



4. Statement - I: Capital market instruments are considered riskier both with respect to returns and principal repayment. [1]
Statement - II: Capital market investment generally yields a higher return for investors.
Choose the correct option from the options given below:

- a) Both the statements are true. b) Statement - II is true and I is false.
c) Statement - I is true and II is false. d) Both the statements are false.

5. Management by exception: [1]

- a) significant deviation b) Cooperation
c) controlling d) all deviations

6. The term of the Treasury Bill cannot be more than _____ year. [1]

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

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



- a) Unity of Commanding agent b) Unity of Direction
c) Unity of Decision d) Unity of Work

8. **Assertion (A):** Delegation helps in the expansion of an organisation. [1]

Reason (R): It provides a ready workforce to take up leading positions in new ventures.

- 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.

9. Many reputed business organisations keep a database of unsolicited applicants in their offices. A list of such job seekers can be prepared and screened to fill the vacancies as they arise. The method of recruitment described is: [1]

- a) Casual callers b) Campus recruitment
c) Direct recruitment d) Transfers

10. Adapting to a change in consumer preference towards online shopping, **Fast-Service** started a grocery delivery app. It is a platform that ensures 10-minute deliveries of groceries. Because of this service, **Fast-Service** earned huge profit within a year. It planned to expand its operations and decided to raise funds by directly issuing its securities to investors. [1]

The market through which **Fast-Service** has decided to raise funds for its expansion is:

- a) Both Primary and Secondary markets b) Secondary market



c) Money market

d) Primary market

11. Which of the following statement is false?

[1]

- a. Service industries require less working capital.
- b. Working capital requirement is higher in firms with shorter processing cycle.
- c. A liberal credit policy results in larger working capital requirement.
- d. Larger the lead time, larger shall be the amount of working capital required.

a) option (a)

b) option (b)

c) option (c)

d) option (d)

12. Pawan Ltd. is an 87-year-old reputed consumer goods company. It is known for offering good quality electronic products at reasonable prices. It has branches all over India. It has a large shareholder base. The shareholders desired that some dividend is paid every year on their investments. Company's management understands that it is important to keep the shareholders happy and satisfied. As a matter of policy, they declare a certain amount of dividend every year out of profits rather than reinvesting the whole as retained earnings. The factor affecting dividend decision being highlighted in the above situation is _____.

[1]

a) Stability of Dividends

b) Shareholders' preference

c) Cash Flow Position

d) Stability of Earnings

13. Match the example in column I with the function in column II:

[1]

(a) Planning	(i) Matching outcomes with targets
(b) Organising	(ii) Objectives
(c) Directing	(iii) Resources for implementation
(d) Controlling	(iv) Supervision and motivation

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

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

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

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

14. **Statement I:** Defect means any fault, imperfection, shortcoming or inadequacy in quality, nature and manner of performance in relation to goods or a product.

[1]

Statement II: Deficiency means any fault, imperfection, shortcoming or inadequacy in quality, nature and manner of performance in relation to in relation to any service and includes act of negligence or omission or commission or with holding relevant information which causes loss or injury to the consumer.

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

b) Both the Statements I and II are correct.

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

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

15. **In financial plans, the risk-return trade- off is very common. The more risky the investment, the higher the returns it is likely to give. To evaluate such proposals detailed calculations of earnings, earnings per share, interest, taxes, dividends are made and decisions taken.** Identify the step of planning function of management highlighted above.

[1]

a) Developing Premises

b) Identifying alternative courses of action



- c) Setting Objectives d) Evaluating alternative courses
16. **Statement I:** Standardisation refers to producing goods of predetermined specifications, which helps in achieving uniformity and consistency in the output. [1]
Statement II: Grading 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) Both the Statements I and II are correct. b) Statement II is correct and Statement I is not correct.
c) Statement I is correct and Statement II is not correct. d) Both the Statements I and II are not correct.
17. Which of the following is NOT a factor affecting capital structure of a company? [1]
a) Interest Coverage Ratio b) Cost of Debt
c) Cash Flow Position d) Growth Opportunities
18. What is the main function of financial management? [1]
a) All of these b) Allocation of Net Profits
c) Procurement of Funds d) Financial Planning
19. **Controlling is required at all levels of management.** Which feature is highlighted in the above statement? [1]
a) Continuous b) Dynamic
c) Contingent d) Pervasive
20. **Statement I:** A budget is a statement of expected results expressed in numerical terms. It is a plan which quantifies future facts and figures. [1]
Statement II: A budget is also a control device from which deviations can be taken care of.
- a) Statement II is correct and Statement I is not correct. b) Both the Statements I and II are not correct.
c) Statement I is correct and Statement II is not correct. d) Both the Statements I and II are correct.
21. State any three organisational objectives of management. [3]
OR
‘Coordination is a continuous activity’. Explain.
22. Explain any two features of **Motivation** as an element of Directing. [3]
OR
Explain **Leadership** and **Communication** as elements of Directing function of management.
23. Explain the following as factors affecting Long-Term Investment decision: [3]
i. Cash flows of the project and
ii. The investment criteria involved
24. Gopal, Mohan and Shyam are three friends having their separate small manufacturing units in an industrial estate. They are hard-working and honest and undertake their respective production activities following the good practices of business. They use good quality raw materials and adopt standardised process. They fix the prices of their products with a reasonable profit margin. But all of them are worried about the malpractices like manufacturing sub-standard, duplicate, and defective goods by the fellow manufacturers. Therefore, they



decided to form an organisation with a constitution of its own which is free from government interference. This organisation would encourage consumers to strongly protest and take action against unscrupulous, exploitative and unfair trade practices of sellers.

- State three other functions which may be performed by this organisation in addition to those mentioned above.

25. Kaveri is busy in preparing the financial blueprint for her organisation's future operations. She feels that detailed plans of action reduce waste and duplication of efforts. However, her friend, Sana feels that in an uncertain and dynamic world, this type of planning may not work. Kaveri again stresses on her statement and explains why this financial blueprint is important. [4]

- Identify the concept and state three points of its importance in addition to those explained in the above para.

26. Describe briefly the steps in the process of controlling. [4]

OR

Explain briefly the relationship between controlling and planning.

27. Scientific Management means knowing exactly what you want men to do and seeing that they do it in the best and the cheapest way. Taylor developed various techniques for application of Scientific Management principles and was able to achieve a three-fold increase in productivity in Bethlehem Steel Company, where he worked. One of the techniques helps to determine the number of workers to be employed; frame suitable incentive schemes and determine labour costs. Another technique recognises those workers who are able to accomplish/exceed the fair day's work and is based on the premise that efficiency is the result of the joint efforts of the managers and the workers. [4]

- Quoting the lines from the above paragraph, identify and explain the two techniques of Scientific Management.

28. State any four features of directing function of management. [4]

29. 'Ganesh Steel Ltd' is a large and creditworthy company manufacturing steel for the Indian market. It now wants to cater to the Asian market and decides to invest in new hi-tech machines. Since the investment is large, it requires long-term finance. It decides to raise funds by issuing equity shares. The issue of equity shares involves huge floatation cost. To meet the expenses of floatation cost the company decides to tap the money-market. [4]

- Name and explain the money market instrument the company can use for the above purpose.
- What is the duration for which the company can get funds through this instrument?

30. Explain the following rights of consumers as per the Consumer Protection Act, 1986: [4]

- Right to be informed
- Right to seek redressal

31. Mohan is working as a vice-president in Ashoka Ltd. He performs a separate and specialised function having many aspects of human relations. His job is closely linked with organising since after the structure and positions have been decided, people are required to work in these positions. His function is seen as a generic function of management. When he performs his duties, his role is slightly limited. [6]

- Identify and explain the meaning of the function being performed by Mohan as the vice-president of Ashoka Ltd.
- The function performed by Mohan benefits the organisation in many ways. State any five such benefits.

32. How does the understanding of business environment help the management in the following [6]

- 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

OR

Explain any six negative impacts of liberalization and globalization.

33. F.M. Tech Ltd. is one of the leading information technology service provider company in Delhi. To enable smooth functioning of the enterprise, job description and rules and procedures related to work processes are laid down. The company specifies clearly the boundaries of authority and responsibility and there is a systematic co-ordination among the various activities to achieve organisational goals. [6]

- a. Identify and explain the **Type of organisation** discussed above.
- b. State any two advantages and two limitations of the **Type of organisation** identified in (a) above.

34. Explain the role of advertising in marketing management. [6]

OR

Explain the following as functions of marketing:

- i. Gathering and analysing market information
- ii. Customer support services
- iii. Pricing of product



Solution

1.
(c) only iv
Explanation:
Personalised application of art.
2. **(a)** It deals in medium and long term securities.
Explanation:
It deals in medium and long term securities.
3.
(d) A is false but R is true.
Explanation:
Planning is not the function of Top management only. It is done by the managers at all 3 levels. A difference exists only in the degree and extent.
4.
(c) Statement - I is true and II is false.
Explanation:
Statement - I is true and II is false.
5. **(a)** significant deviation
Explanation:
Management by exception is an important principle of management control based on the belief that an attempt to control everything results in controlling nothing. Only significant deviation which goes beyond the permissible limit should be brought to the notice of management.
6.
(c) One
Explanation:
Tenure of treasury bill cannot be more than One year
7.
(b) Unity of Direction
Explanation:
Unity of Direction
8. **(a)** Both A and R are true and R is the correct explanation of A.
Explanation:
Both A and R are true and R is the correct explanation of A.
9. **(a)** Casual callers
Explanation:
Casual callers
10.
(d) Primary market
Explanation:
Primary market

11.
(b) option (b)
Explanation:
Working capital requirement is higher in firms with shorter processing cycle.
12.
(b) Shareholders' preference
Explanation:
Shareholders' preference
13.
(d) (a) - (ii), (b) - (iii), (c) - (iv), (d) - (i)
Explanation:
(a) - (ii), (b) - (iii), (c) - (iv), (d) - (i)
14.
(b) Both the Statements I and II are correct.
Explanation:
Both the Statements I and II are correct.
15.
(d) Evaluating alternative courses
Explanation:
Evaluating alternative courses
16. **(a)** Both the Statements I and II are correct.
Explanation:
Both the Statements I and II are correct.
17.
(d) Growth Opportunities
Explanation:
Growth Opportunities
18. **(a)** All of these
Explanation:
Financial management is concerned with management decisions relating to optimal procurement of funds, investment of funds in long term, and short term assets of the firm. It is wider in scope as it includes financial planning also.
19.
(d) Pervasive
Explanation:
Controlling is a Pervasive function of management as it is performed in all levels of organizations.
20.
(d) Both the Statements I and II are correct.
Explanation:
Both the Statements I and II are correct.
21. Three organisational objectives are as follows
i. **Survival:** The most important objective of every business is to survive and in order to survive, it should earn enough revenue to cover its costs as a firm wants to work for the long run than they have to survive in the competitive market.

- ii. **Profit:** It is the incentive or reward for the efforts put in by an entrepreneur. Moreover, it is the reason behind carrying out business. As blood works in our body, it works in business in the same manner.
- iii. **Growth:** It is an extension of the objective of survival and profit. It can be measured in terms of increase in sales volume, number of employees, capital, machinery, etc. as a firm earns a profit and starts surviving in the market, then it starts to grow up their business as well.

OR

Coordination is a continuous activity carried out by all managers at all times. It starts at the planning stage and continues with the other functions of management. It is a never-ending process. It integrates all the activities and ensures the orderly arrangement of individual and group efforts to ensure unity of action in the realization of common objectives. As the firm wants to grow in the market, it requires it for smooth functioning and to achieve its goal effectively and efficiently.

22. Features of motivation:

- i. **Motivation is an internal feeling.** The urge, drives, desires, aspirations, striving or needs of human being, which are internal, influence human behaviour. For example, people may have the urge or desire for possessing a motorbike, comfortable house, reputation in the society. These urges are internal to an individual.
- ii. **Motivation produces goal directed behaviour.** For example, the promotion in the job may be given to an employee with the objective of improving his performance. If the employee is interested in promotion, it helps to produce a behaviour to improve performance.

OR

Leadership is the process of influencing the behaviour of people by making them strive voluntarily towards achievement of organisational goals. Leadership indicates the ability of an individual to maintain good interpersonal relations with followers and motivate them to contribute for achieving organisational objectives.

Communication plays a key role in the success of a manager. How much professional knowledge and intelligence a manager possesses becomes immaterial if he is not able to communicate effectively with his subordinates and create understanding in them. Directing abilities of a manager mainly depend upon his communication skills. That is why organisations always emphasise on improving communication skills of managers as well as employees.

23. i. **Cash Flows of the project:**

When a company takes an investment decision involving a huge amount, it expects to generate some cash flows over a period. These cash flows are in the form of a series of cash receipts and payments over the life of an investment.

ii. **The investment Criteria involved:**

It involves a number of calculations regarding the amount of investment, interest rate, cash flows and rate of return. There are different techniques to evaluate investment proposals which are known as capital budgeting techniques.

24. Three other functions which may be performed by this organisation in addition to those mentioned above are:

- i. Creating awareness about consumer rights by organising training programmes, seminars, and workshops.
- ii. Publishing periodicals and other publications to impart knowledge about consumer problems.
- iii. Carrying out comparative testing of consumer products in accredited laboratories.
- iv. Providing consumers with legal assistance by providing aid, advice, etc. to seek legal remedy.
- v. Filing complaints in appropriate consumer courts on behalf of the consumers.
- vi. Taking an initiative in filing cases in the interest of general public. (Any three)

25. Concept of Planning is discussed in the above paragraph.

Importance of planning:

- i. **Planning establishes standards for controlling:** Planning involves setting of goals. The entire managerial process is concerned with accomplishing predetermined goals through planning, organising, staffing, directing and controlling. Planning provides the goals or standards against which actual performance is measured. By comparing actual performance with some standard, managers can know whether they have actually been able to attain the goals. If there is any deviation, it can be corrected. Therefore, we can say that planning is a prerequisite for controlling.
- ii. **Planning facilitates decision making:** Planning helps the manager to look into the future and make a choice from amongst various alternative courses of action. The manager has to evaluate each alternative and select the most viable proposition. Planning involves setting targets and predicting future conditions, thus helping in taking rational decisions.
- iii. **Planning promotes innovative ideas:** Since planning is the first function of management, new ideas can take the shape of concrete plans. It is the most challenging activity for the management as it guides all future actions leading to growth and prosperity of the business.

26. **Controlling Process consists of following systematic steps:**



1. Setting Performance Standards:

The first step in the process of controlling is concerned with setting performance standards. These standards are the basis for measuring the actual performance.

Thus, standards act as a lighthouse that warns & guides the ships at sea. Standards are the benchmarks towards which efforts of entire organisation are directed. These standards can be expressed both in quantitative and qualitative terms.

2. Measurement of Actual Performance:

Once the standards have been determined, the next step is to measure the actual performance. The various techniques for measuring are sample checking, performance reports, personal observation etc. However, in order to facilitate easy comparison, the performance should be measured on same basis that the standards have.

3. Comparing Actual Performance with Standards:

This step involves comparing the actual performance with standards laid down in order to find the deviations. For example, performance of a salesman in terms of unit sold in a week can be easily measured against the standard output for the week.

4. Analyzing Deviations:

Some deviations are possible in all the activities. However, the deviation in the important areas of business needs to be corrected more urgently as compared to deviation in insignificant areas. Management should use critical point control and management by exception in such areas.

5. Taking Corrective Action:

The last step in the process of controlling involves taking corrective action. If the deviations are within acceptable limits, no corrective measure is required. However, if the deviations exceed acceptable limits, they should be immediately brought to the notice of the management for taking corrective measures, especially in the important areas.

OR

The relationship between planning and controlling is stated in the points below:

- i. Planning provides the basis for controlling activities.
 - ii. Controlling ensures that planned goals are achieved efficiently and effectively. It measures the performance with the predetermined standards and finds out the deviations if any.
 - iii. The causes of deviation as identified by controlling are the basis of effective future planning.
 - iv. Planning and controlling both are forward-looking and backward-looking.
 - v. Both are integral parts of an organisation and are necessary for the smooth functioning of an enterprise.
 - vi. Planning proceeds controlling and controlling succeeds planning.
 - vii. The process of planning and controlling works on Systems Approach which is "Planning → Results → Corrective Action".
27. **Time Study:-** One of the techniques helps to determine the number of workers to be employed; framesuitable incentive schemes and labour costs. It circumscribes the conventional time taken to complete a well-defined job.
- Differential Piece Wage System:-** Another technique recognises those workers who are able toaccomplish/exceed the fair days work and is based on the premise that efficiency is the result of the joint effortsof the managers and the workers.
28. **Features of Directing:**
- i. Directing initiates action as when a manager performs functions of planning, organising, staffing and controlling it prepares a setting, for action.
 - ii. Directing takes place at every level of Management as directing takes place wherever superior - subordinate relations exist.
 - iii. Directing is a continuous process as it takes place throughout the life of the organization irrespective of people occupying managerial positions.
 - iv. Directing flows from top to bottom as it is initiated at the top level and flows to the bottom through organisational hierarchy.
 - v. Directing ensures the working of the activity according to the organisational plans or objectives.
29. The money market instrument that the company can use for the above purpose is commercial paper.
- Commercial paper:** It is issued as an unsecured promissory note by large and creditworthy companies for meeting their short-term needs of funds It is a negotiable instrument, transferable by endorsement and delivery. This instrument is generally used for 'bridge financing', i.e a method of financing used by companies to cover the flotation costs of issuing equity shares, preference shares, etc. Commercial paper though a short-term obligation is issued as part of a continuous rolling program, which is either a number of years long (as in Europe), or open-ended (as in the U.S.).



30. i. **Right to be informed**

Consumers have the right to be informed about the quality, quantity, price, ingredients, and potential risks associated with products or services they purchase. They should have access to accurate and truthful information.

ii. **Right to seek redressal**

Consumers have the right to seek redressal and compensation for any unfair or deceptive practices, defective products, or unsatisfactory services. They can file complaints, approach consumer forums, and seek appropriate remedies to resolve their grievances.

31. a. **Staffing:**

It is the process of filling and keeping filled, the positions in the organisation structure. staffing involves human resources in the fulfillment of organizational goals.

b. **Benefits of Staffing:**

- i. It helps in discovering and obtaining competent personnel for various jobs.
- ii. It results in improved performance by putting right person on the right job.
- iii. It ensures continuous survival and growth of the enterprise through the succession planning for managers.
- iv. It ensures optimum utilization of human resources. It avoids disruption of work by indicating in advance the shortage of personnel.
- v. It improves job satisfaction and morale of employees through objective assessment and fair reward for their contribution.

32. 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.

OR

The negative effects of liberalization and globalization are as follows:

- i. **Threats from multinational companies (MNCs):** With the arrival of multinationals it is becoming difficult for small and medium business units to even survive. The massive entry and consolidation to multinationals in the Indian markets is a challenge that has already forced some business enterprises to take the exit route.
- ii. **Destabilization of protected environment:** With easier entry of multi-national companies, Indian business environment is fast losing its protective shield. The new entrepreneurial freedom is creating problems for the existing players. Even manufacturers of Maruti car could not retain their market share and had to remodel their products and announce heavily price reductions from time to time.
- iii. **Decline in public sector:** Public sector is losing markets and their capacity utilization has declined, hampering thereby pace of country's technological and economic growth.
- iv. **Fall in the value of rupee:** Indian rupee has been devaluing against DOLLAR, EURO and many other foreign currencies. This phenomenon has forced even some established exporters to encash their stake partly/fully.
- v. **Increase in the consumption of products:** Activists have pointed out that globalization and liberalisation has led to an increase in the consumption of products, which has impacted the ecological cycle. Increased consumption leads to an increase in the production of goods, which in turn puts stress on the environment.



- vi. **Rise in pollution level:** The amount of fuel that is consumed in transporting the products has led to an increase in the pollution levels in the environment. It has also led to several other environmental concerns such as noise pollution and landscape intrusion. Transportation has also put a strain on the non-renewable sources of energy, such as gasoline.

33. a. **Formal Organisation**

Formal organisation refers to the organisation structure which is designed by the management to accomplish a particular task. relation in formal set up by the organisation in organising process of management. work flow are clearly defined in formal organisation. superior subordinate relationship in formal organisation effect the flow of information in organisation.

b. **Advantages of Formal Organisation**

- i. It is easier to fix responsibility since mutual relationships are clearly defined.
- ii. It avoids duplication of effort since there is no ambiguity in the role that each member has to play.
- iii. It maintains unity of command through an established chain of command.
- iv. It leads to accomplishment of goals by providing a framework for the operations to be performed.
- v. It provides stability to the organisation because there are specific rules to guide behaviour of employees.

Limitations of formal organisation

- i. It may lead to procedural delays as the established chain of command has to be followed which increases the time taken for decision making.
- ii. It does not allow any deviations from rigidly laid down policies and may not provide adequate recognition to creative talent.
- iii. It is difficult to understand all human relationships in an enterprise, hence it does not provide a complete picture of how an organisation works.

34. Advertising is an impersonal form of communication, which is paid for by marketers (sponsors) to promote some goods or services. Impersonal means that the seller is not in direct contact with the customers. Most common modes of advertising are newspaper, television, and radio.

Advantages to manufacturers are as follows:

- i. **Provides economies of scale:** Through Advertising, the product is marketed to a large number of people and thus the promotion is carried out a large scale through which the company enjoys the benefit of a large scale of sales.
- ii. **Reduces dependence on middlemen:** Advertising helps to establish direct contact between manufacturers and consumers. It is easy to find consumers, as they are made aware of the availability and usefulness of goods. There is no need to employ middlemen to influence the decision of the customers.

Advantages to consumers are as follows:

- i. **Educates consumers:** Advertising provides useful information to consumers about products and their uses. It helps them to develop better habits and good lifestyle e.g. advertisements remind children to regularly brush their teeth, housewives to use better detergents and managers to use personal computers. In a way, Advertising is not just limited to promote the product, rather it is also about telling the customer what they actually need.
- ii. **Consumer's surplus:** Advertising makes goods available to consumers at lower prices by expanding sales and production. It also helps to eliminate the cost of middlemen. In order to support advertising, manufacturers maintain the quality of their products. Consumers get surplus in the form of lower prices and better quality. The concept of Marketing revolves around the consumer and the consumer is considered as the kingpin.

Advantages to society are as follows:

- i. **Generates employment:** Advertising provides direct employment to a large number of people engaged in designing, writing and issuing advertisements. Indirectly, advertising creates employment opportunities by increasing the volume of sales and production. This boosts up the economy as well.
- ii. **Improves the standard of living:** Advertising helps people in improving their lifestyles. It provides knowledge about new and better things. Such education facilitates the progress of civilization. In other words, at times, Advertising helps the customers to adopt a better lifestyle which they earlier did not think of.

OR

i. **Gathering and Analysing Market Information:**

- Gathering and analysing market information is necessary to identify the needs of the customers and take various decisions for successful marketing of products and services.

ii. **Customer support services:**

- Developing customer support services aim at providing maximum satisfaction to the customers.
- Customer support services are very effective in bringing repeat sales from the customers and developing brand loyalty for a product.



iii. Pricing of product:

- Price of product refers to the amount of money customers have to pay to obtain a product.
- The marketers have to properly analyse the factors determining the price of a product and take several crucial decisions in this respect including setting the pricing objectives, determining the pricing strategies, determining the price and changing the prices.

