

CBSE Class 12 Business Studies
Sample Paper 09 (2020-21)

Maximum Marks: 80

Time Allowed: 3 hours

General Instructions:

- i. This question paper contains 34 questions.
- ii. Marks are indicated against each question.
- iii. Answer should be brief and to the point.
- iv. Answers to the questions carrying 3 marks may be from 50 to 75 words.
- v. Answers to the questions carrying 4 marks may be about 150 words.
- vi. Answers to the questions carrying 6 marks may be about 200 words.
- vii. Attempt all parts of the questions together.

Section A

1. Recruitment is a widely viewed as a _____ process.
 - i. Positive
 - ii. Negative
 - iii. Both positive and negative
 - iv. None of these
 - a. ii and iii
 - b. only i
 - c. iv and i
 - d. iii and iv
2. Price of a product can be referred to as:
 - i. Product Cost
 - ii. Brand Value
 - iii. Value of utility for customer
 - iv. Promotion Cost
 - a. i and ii
 - b. iv and i
 - c. ii and iii

- d. only iii
- 3. Two way communication technique is used under _____.
 - a. Democratic style
 - b. Autocratic style
 - c. Laissez Faire
 - d. None of these
- 4. Population is a component of the total _____ environment, while composition of population is component of _____ environment.
 - a. social, economic
 - b. natural, legal
 - c. technology, political
 - d. economic, social
- 5. Freedom to take own decision is _____.
 - a. Centralisation
 - b. None of these
 - c. Delegation
 - d. Decentralisation
- 6. Controlling function of an organisation is:
 - a. Backward looking
 - b. Forward looking
 - c. Forward as well as backward looking
 - d. None of the above
- 7. Celebration of Diwali is the example of:
 - a. Technological Environment
 - b. Social Environment
 - c. Political Environment
 - d. Legal Environment
- 8. Social/Affiliation/Belongingness needs are concerned with _____.
 - a. Stability of income
 - b. Affection and friendship
 - c. Pension
 - d. Salary
- 9. Which of the following tools of sales promotion is suitable to boost up sales in offseason

of product in the market?

- a. Lucky draw
 - b. Price off offer
 - c. Exchange offer
 - d. Product combination
10. Current assets of a business firm should be financed through:
- a. long-term liability only
 - b. None of these
 - c. current liability only
 - d. both long and short term liabilities
11. _____ test is helpful in assessing the candidates capacity for learning new skills.
- a. Intelligence
 - b. Aptitude
 - c. Personality
 - d. Trade

OR

What type of process selection is?

- a. Quantitative
 - b. Positive
 - c. Qualitative
 - d. Negative
12. A person buys 100 shares @TM 100 per share of XYZ company. After some time the market price of shares becomes ₹120 per share. How much wealth shall he have in the company?
- a. ₹10,120
 - b. ₹8,000
 - c. ₹12,000
 - d. ₹10,000
13. **Read the following passage carefully and answer the questions that follow:**
- Bhatkaav Enterprises is facing huge losses. The owner of the company is an MBA pass out. Even then many things in the organisation are happening which are indicative of a lack of proper management in the company. First of all there is no specific sharing of work and any time an employee is asked to do anything. This has lead to a waste of

efforts. Further due to negligence in proper work-sharing there has been no specialisation development in the nature of the jobs done by the employees.

There are no clear and fair agreements between the workers and the management. This has led to a lot of frustration in the workers. Management has quite often been found to be ignorant of not fulfilling promises done by it. There are also no strict rules and regulations binding on the conduct of the workers.

The departmental heads who are the middle-level managers in the company and hold key positions always favour their relatives. They quite often don't turn up for a job on time. They are always looking for special relaxations from the top management. This has led to feelings of resentment among the employees who are also demanding special favours and threatening strike in the coming days. Based on the paragraph, answer the following questions:

- i. Which principles of management have been violated in the first paragraph?
 - a. Division of work
 - b. Espite de corpse
 - c. Authority and responsibility
 - d. None of these
- ii. Which principles of management have been violated in the second paragraph?
 - a. Division of work
 - b. Discipline
 - c. Authority and responsibility
 - d. None of these
- iii. Which principles of management have been violated in the third paragraph?
 - a. Division of work
 - b. Subordination of individual interest to general interest
 - c. Authority and responsibility
 - d. None of these
- iv. What exactly is lacking amongst the workers and the management?
 - a. Planning
 - b. Coordination
 - c. Organising
 - d. Directing

14. Read the following text and answer the questions:

Devyaansh Ltd. was manufacturing blankets for the last 8 years. Recently they established a new manufacturing unit and started selling multiple products like bedsheets, machine covers, sofa covers, etc. in the market. This led to a big downfall in the company. The complete responsibility of finding the solution to this problem fell on the general manager Mr. Mohit. Now to start working on the same, he gave some of his authorities to the departmental managers. He also gave them this freedom that if they want, they could give some of the authorities to their subordinates. As all the departmental managers were overburdened, therefore, they handed over some of their authority to their subordinates. As a consequence of this, on the one hand, the general manager got time to concentrate on important matters and on the other hand, the feeling of responsibility was aroused in the subordinates. Within a few days, the growth rate of the company appeared to have become fast.

- i. Name the type of organisational structure Devyaansh Ltd. must have followed as a single product company?
 - a. Functional
 - b. Delegation
 - c. Division
 - d. Single organisation
- ii. Which concept of management is highlighted by the step adopted by Mr. Mohit?
 - a. Planning
 - b. Decentralisation
 - c. Divisional
 - d. Delegation
- iii. The step adopted by Mr. Mohit, highlights which of the importance of the above-identified concept?
 - a. Relief to top-level management
 - b. Better control
 - c. Facilitates growth
 - d. Quick decision making
- iv. State the type of organisational structure adopted recently by Devyaansh Ltd?
 - a. Decentralisational
 - b. functional
 - c. Delegation

d. Divisional

15. Decentralisation is extending delegation to the lowest level. Comment.
16. Mr. Manish Kumar is working on the post of Production Supervisor in **Molta Limited**. There are 45 workers working under him. He pays special attention to motivate his workers. To this end, he made a plan in consultation with his departmental head. The plan was like this: 'The standardised work of a day is 10 units. The workers who complete the standardised work or more shall get ₹50 per unit and those doing work less than the standardised work shall be given ₹40 per unit. For example, the worker doing the production of 11 units shall be paid $11 \times 50 = ₹550$ while the worker completing 9 units of production shall get $9 \times 40 = ₹360$ only. In this way, the former worker shall get ₹190 more for doing more production of 2 units. According to Mr. Sisodiya, considering this difference of remuneration, the shirking workers shall be motivated to do more work. The implementation of this plan in the company yielded positive results. Identify and explain the concept of management described in the paragraph given above.
17. K&K Co. Ltd. is engaged in manufacturing of machine components. The target of production is 200 units daily. The company had been successfully attaining this target until two months ago. Over the last two months it has been observed that daily production varies between 150-170 units. Identify the possible causes for the decline in production and the steps to be taken to achieve the desired targets.

OR

- 'An effort to control everything may end up in controlling nothing.' Explain.
18. Bhuvan inherited a very large area of agricultural land in Haryana after the death of his grandfather. He plans to sell this piece of land and use the money to set up a small scale paper factory to manufacture all kinds of stationery items from recycled paper. Being an amateur in business, he decides to consult his friend Subhash who works in a financial consultancy firm. Subhash helps him to prepare a blueprint of his future business operations on the basis of sales forecast in next five years. Based on these estimates, he helps Bhuvan to assess the fixed and working capital requirements of the business. in the context of the above case:
- Identify the type of financial service that Subhash has offered to Bhuvan.
 - Briefly state any four points highlighting the importance of the type of financial service identified in part (a).

OR

Harsh works as a manager in a software company. He opened a Demat account with a broking house in order to trade in securities with the money he received as his first performance bonus. Since then he has been very active in stock trading under the guidance of a stock broker. However, when he was hospitalised for a few days this year, his wife received several calls from the his stock broker for permission to transact on Harsh's behalf. Though she told him to wait till her husband had recovered, the stock broker went ahead and executed the transactions. When Harsh got home from hospital, he discovered that the unauthorised transactions had led to a loss for him.

Harsh complained to the broking house, but they claimed he had authorised the transactions. Keeping in view, the guidelines issued by the National Stock Exchange that he had read in the national newspaper Harsh demanded proof and threatened to file a complain. Since, the broking house had no evidence that the deals had been authorised they made good the loss that Harsh had incurred due to the transactions.

In context of the above case:

- a. What is a Demat account?
- b. Who is acting as the depository participant for Harsh?
- c. Name the document that is legally enforceable and helps to settle the claims between the investor and the broker.

19. Sandhya is a successful manager at Manisons Enterprises. She has a team of twelve people working under her. She encourages them to set their own objectives and take decisions. She respects their opinions and supports them, so that they can perform their duties and accomplish organizational objective. To manage and exercise effective control she uses forces within the group. As an intelligent manager, at times she also makes uses of positive aspects of informal communication . This way, she is able to unify diverse interests and ensure that targets are met.
- i. There are many theories and styles of influencing people's behaviour. Identify the style used by Sandhya which is based on the use of authority.
 - ii. State the two positive aspects of the communication discussed, above which Sandhya is using as an intelligent manager.
20. Ragu works as a waiter in a five-star hotel in Mumbai. While serving the customer he overhears him at the table saying that he has made profits higher than expected by investing in the securities market. So, Ragu also decides to make a nominal investment

from his savings in the stock market in pursuit of higher gains.

In the context of the above case: As a financial consultant, apprise him of the steps involved in the working of a Demat system.

21. Usha, a Chief Manager in a company using highly sophisticated machines and equipments, wants that every employee should be fully trained before using the machines and equipments.
Suggest and describe the best method of training that Usha can use for training of the employees.
22. What is meant by **Branding**? State any three advantages of branding to customers.

OR

After acquiring the necessary knowledge and skills on starting an Aloe vera Farm, Ashok wanted to be the leading manufacturer of Aloe vera 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 practices that were economically viable, environmentally sound and at the same time protecting public health. Ashok's main consideration was about the amount of money paid by the consumers in consideration of the purchase of Aloe vera products. 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 which 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.

- a. Identify the concept.

b. Explain briefly any four factors discussed in the above case related to the concept so identified.

23. Do you agree with the below statement?

‘External sources of recruitment are better than internal sources of recruitment’. Give two reasons in support of your answer.

24. Define a **Consumer** according to the provisions of the Consumer Protection Act, 1986.

25. The skillful and personal application of existing knowledge to achieve desired results is called art. In light of this statement, describe whether management is an art or not.

26. 'Abhishek Ltd' is manufacturing cotton clothes. It has been consistently earning good profits for many years. This year too, it has been able to generate enough profits. There is the availability of enough cash in the company and good prospects for growth in the future. It is a well-managed organization and believes in quality, equal employment opportunities, and good remuneration practices. It has many shareholders who prefer to receive a regular income from their investments.

It has taken a loan of Rs. 50 lakhs from ICICI Bank and is bound by certain restrictions on the payment of dividend according to the terms of the loan agreement.

The above discussion about the company leads to various factors that decided how much of the profits should be retained and how much has to be distributed by the company.

Identify and explain any five such factors.

OR

Explain the following as factors affecting the requirements of working capital

i. Nature of business

ii. Scale of operations

iii. Seasonal factors

iv. Production cycle

27. What are the steps taken by management in the planning process?

28. Differentiate between advertising and personal selling on any five basis.

OR

Name the element of marketing mix in which a set of firms and individuals creates possession, place and time utility and helps in market offering. Also explain any five important functions performed by this element.

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Solution

Section A

1. (b) only i

Explanation: Recruitment is a Positive process

2. (d) only iii

Explanation: Price of product referred to value of utility for customer.

3. (a) Democratic style

Explanation: A democratic leader will develop action plans and makes decisions in consultation with his subordinates. Two-way communication technique is used under democratic leadership style.

4. (d) economic, social

Explanation: The population is a component of the total **economic** environment, while the composition of the population is a component of the **social** environment.

5. (d) Decentralisation

Explanation: Under decentralisation, the authority is systematically divided at every level of management. The management is entrusted with the operational authority to take decisions on jobs assigned to them.

6. (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.

7. (b) Social Environment

Explanation: Social environment refers to all the characteristics of society in which the business operates. It includes the customs and traditions of the society, standard of living, taste, preferences, etc.

8. (b) Affection and friendship

Explanation: Affiliation/Belonging Needs refer to affection, sense of belongingness, acceptance and friendship.

9. (b) Price off offer

Explanation: Price off offer

10. (d) both long and short term liabilities

Explanation: Current assets are those assets which, in the normal routine of the business, get converted into cash or cash equivalents within one year e.g. inventories, debtors etc. Hence these should be financed by both long term and short term liability.

11. (b) Aptitude

Explanation: Aptitude

OR

(d) Negative

Explanation: Negative since screening involves here.

12. (c) ₹12,000

Explanation: $100 \times 120 = 12,000$

13. i. (a) Division of work

ii. (b) Discipline

iii. (b) Subordination of individual interest to general interest

iv. (b) Coordination

14. i. (a) Functional

ii. (b) Decentralisation

iii. (a) Relief to top-level management

iv. (d) Divisional

15. Decentralization is concerned with sharing authority with lower levels. It reduces the burden of top executives and avoids unnecessary delays in action. Subordinates are well aware of the realities of the situation and they can take accurate and faster decisions. Decentralization explains the manner in which decision-making responsibilities are divided among hierarchical levels.

According to Louis Allen, "Decentralization refers to systematic effort to delegate to the lowest level all authority except that which can be exercised at central points". In other words, it can be stated that while delegation remains confined to a specific level or a specific department, the decentralization of authority reaches out to almost all the levels and almost the entire organization as a whole.

16. Here the 'Scientific Management Technique-Differential Wage System' expounded by

Taylor has been described.

It refers to that Scientific Management Technique which differentiates between efficient and inefficient workers.

17. The possible causes for decline in production are-

1. 1. There may be some defect in machinery by which the components are produced.
2. Employees are not performing efficiently.
3. Sometimes employees may become lethargic.

The company can take the following steps to achieve the desired targets-

1. 1. Company can replace the machinery or get repaired, if fault is in machine.
2. If employees are not performing efficiently, the company can give training to employees.
3. If employees are becoming lethargic, the company needs to keep a close supervision on their employees.

OR

The principle of "Management by Exception" is strongly based on the belief that an attempt to control everything results in controlling nothing. Only those deviations which go beyond the permissible limit should be brought in the notice of management. It could be very difficult for the organization to handle two tasks which ultimately would affect the performance of the employees.

18. a. Financial planning is the type of financial service that Subhash has offered to Bhuvan. Financial Planning is the process of estimating the capital required and determining its competition. It is the process of framing financial policies in relation to procurement, investment and administration of funds of an enterprise.
- b. The four points highlighting the importance of financial planning are as follows:
- i. It ensures the smooth running of a business enterprise by ensuring the availability of funds at the right time.
 - ii. It helps in anticipating future requirements of funds and evading business shocks and surprises.
 - iii. It facilitates coordination among various departments of an enterprise like marketing and production functions, through well-defined policies and procedures.
 - iv. It increases the efficiency of operations by curbing wastage of funds, duplication

of efforts, and gaps in planning.

OR

- a. A Demat account is an account used for holding securities in electronic form. Demat account functions like a bank account, where our bank balance is a mere entry in the bank passbook and we do not hold the cash physically. Securities too are held in an electronic form (dematerialised form), in a similar manner and debited or credited.
 - b. The Broking house is acting as the depository participant for Harsh.
 - c. A contract note is a legally enforceable document that helps to settle the claims between the investor and the broker.
19. i. The style used by Sandhya which is based on the use of authority is the **Democratic style of leadership**. Democratic leadership or I would say participative leadership, is a type of management style in which members of the group take a more participative role in the decision-making process. Everyone is given the opportunity to participate, ideas are exchanged freely, and discussion is encouraged. While the democratic process tends to focus on group equality and the free flow of ideas, the lead of the group is still there to offer guidance and control.
- ii. **The two positive aspects of informal communication are stated below:**
- a. **Fast and Effective Communication:** Under this communication, the messages move fast and their effect is equally great on the people.
 - b. **Free Environment:** Informal communication is done in a free environment. Free environment means that there is no pressure of any office-big or small. The reactions of the employees can easily be collected.
20. In the last decade or so, the stock market has moved towards paperless trading. For investors, who used to be burdened with reams of stock certificates, a demat account has become a necessity. Not having a depository or demat account has now become the biggest entry barrier to investing in equities. It is no wonder that more and more entities (commodities futures and spot market) are moving to the dematerialised form of trading. A demat or 'dematerialised' account holds shares in electronic form, thus saving you the bother of holding shares in paper form.
- A depository is similar to a bank. It holds shares, which belong to investors, in electronic form. The investor has to open an account with the depository, through a Depository Participant. The DP is an intermediary between the depository and the investor. In India,

there are two depositories, viz., National Securities Depository and Central Depository Services. A number of banks (HDFC Bank, ICICI Bank, SBI, and so on) , brokers (India Infoline, Motilal Oswal and Indiabulls) and institutions function as DPs.

Ragu will have to initiate the following steps for trading through a Demat system:

- i. He will have to first open a Demat account with a depository participant (DP) who may either be a bank, broker or financial services company by furnishing certain details and information about himself including PAN number, date of birth, bank account details, income details etc.
 - ii. If he plans to buy shares through a public offer he will have to give details of his Demat account, bank account etc. On allotment the shares will be directly credited to his account.
 - iii. If he decides to buy shares otherwise, he will have to instruct his broker with the details about the name of the company, number of shares, price etc. The transaction will be executed through the depository participant and he will have to make payment for them within T + 2 days.
 - iv. On contrary, whenever he decides to sell shares, he will have to instruct his broker with the details about the name of the company, number of shares, price etc. The transaction will be executed through the depository participant and his account will be debited accordingly. He will receive the payment in T + 2 days.
21. Vestibule training is the best method of training that Usha can use for training of the employees.
1. Employees learn their jobs on the equipment they will be using, but the training is conducted away from the actual work floor.
 2. Actual work environments are created in a classroom and employees use the same materials, files and equipment.
 3. This is usually done when employees are required to handle sophisticated machinery and equipment.
22. Branding is the process of giving a name, or a sign or a symbol to a product which helps in identifying and distinguishing it from the competitors' product.

The Advantages of branding to customers:

- i. Branding Boosts Awareness and Loyalty
- ii. Branding ensures Protection From Competition
- iii. Branding Builds Recognition and Loyalty

OR

a. The concept being described in the above case study is **Pricing/ price mix**. It is considered as very critical element. Price can be defined as the economic value of product normally expressed in form of money. The price of product should be set in such a way that buyers can pay and company can earn adequate profits. In case of price-sensitive customers on one hand and the prestige-sensitive customers on the other hand, the pricing decisions become vital in marketing.

Normally, Pricing Decision involves:

- i. Determining product development costs
- ii. Determining manufacturing (variable and fixed) costs the product
- iii. Studying pricing policies and strategies of the close competitors.
- iv. Formulating appropriate pricing policies for the products .
- v. Deciding on level or margin of profits. etc.

b. The four factors discussed in the above case related to pricing are described below:

- i. **Cost of product:** The price of the product is determined by adding the desired profit margin to the cost of production, selling and distribution. The cost can be broadly classified into three types namely; fixed cost, variable cost and semi-variable cost. Sometimes, a firm may not be able to cover all its cost in the short run, however, in order to survive in the long run, it must ensure that all its costs are covered.
- ii. **Degree of competition:** The nature and extent of competition in the market is another key factor relating to the pricing decision. If the firm faces free competition in the market it is likely to fix the price of the product at lower levels. But if it enjoys a monopoly, then the price of the product is likely to be fixed at higher levels.
- iii. **Utility and demand of Product:** A prudent consumer will be willing to buy a product at a price which at least equals to the utility of the product being perceived by him. On the other hand, the demand for a product is inversely related to its price. But if the demand for a product is elastic in nature, even a slight variation in price is likely to have an adverse effect on its demand. However, a firm enjoys liberty in fixing the price of a product with inelastic demand.
- iv. **Marketing Methods Used:** The kind of marketing methods being used by a firm has an important bearing on its price. This includes a channel of distribution being

adopted, advertising and sales promotion budget, type of packaging, credit policy, quality of customer amenities provided etc. A firm is likely to fix a higher price for its products in case there is exclusiveness with regard to any of these aspects.

23. Yes, I agree with this statement. The two reasons are:

1. **Qualified personnel:** By using external sources of recruitment, the management can attract qualified and trained people to apply for vacant jobs in the organisation.
2. **Wider choice:** When vacancies are advertised widely, a large number of applicants from outside the organisation apply. The management has a wider choice while selecting the people for employment.

24. Under the Consumer Protection Act, 1986 a consumer is defined as:

- a. Buys any goods for a consideration which has been paid or promised or partly paid and partly promised,
- b. Hires or avails of any services for consideration which has been paid or promised or partly paid and partly promised,

25. Basic features of art are as follows

- i. The existence of theoretical knowledge
- ii. Personalised application
- iii. Based on practice and creativity

Management can be said as art since it satisfies the following features

- i. In every art, there is systematic study material is available to acquire the theoretical knowledge of the art. As in management successful, the manager must practice the art of management in the day-to-day job of managing an enterprise which is based on study, observation and experience. There is a lot of literature available in various areas of management like marketing, finance and human resource which the manager has to specialise in.
- ii. There are various theories of management propounded by many management thinkers, which prescribe certain universal principles. A manager applies these scientific methods and body of knowledge to a given situation, issue or a problem in his own unique manner.
- iii. In the field of art, only theoretical knowledge is not enough. Every artist has personal skills and creativity of applying the knowledge, for example, an artist has learned a lot of arts tricks but he apply it according to the situation. A manager applies his

acquired knowledge in a personalised and skillful manner in the light of the realities of a given situation. He is involved in the activities of the organisation, studies critical situations and apply his own theories in a given situation.

- iv. As without practice, artists lose their creativity. Arts require creative practice to make it more effective. Like any other art, a manager, after studying various situations, formulates his own theories for use in the given situation. This gives rise to different styles of management.

26. The five factors which Ankit has to consider before making dividend decisions are:

- i. **Growth Opportunities:** The financial needs of a firm are directly related to the investment opportunities available to it. If a firm has abundant profitable investment opportunities, it will adopt a policy of distributing lower dividends. It would like to retain a large part of its earnings because it can reinvest them at a higher rate.
- ii. **Stability of Dividends:** Investors always prefer a stable dividend policy. They expect to get a fixed amount as dividends which should increase gradually over the years.
- iii. **Legal Restrictions:** A firm's dividend policy has to be formulated within the legal provisions and restrictions of the Indian Companies Act.
- iv. **Restrictions in Loan Agreements:** Lenders, mostly financial institutions, put certain restrictions on the payment of dividends to safeguard their interests.
- v. **Liquidity:** The cash position is a significant factor in determining the size of dividends. Higher the cash and overall liquidity position of a firm, higher will be its ability to pay dividends.

OR

working capital refers to the excess of current assets over current liabilities. these are the decision which involves day to day operations of the business and hence considered short term. Factors affecting working capital requirements are

- i. **Nature of business-** working capital requirements depends upon the nature of the business. A trading business needs less amount of working capital because there is no processing of goods, On the other hand, the working capital requirement would be more in case of manufacturing business where raw materials are converted into finished goods.
- ii. **Scale of operation-** A large-scale organisation requires a large amount of working capital as compared to the small-scale organisation because the quantum of

inventory, debtors and cash required is generally high as more amount is tied in debtors, stock and cash.

- iii. **Seasonal factors-** Business operations are affected by seasonal changes. As during peak season higher are the level of activities and higher the requirements of working capital due to the increase in demand, on the other hand, during lean season requirements of working capital will be lower as the demand for the goods is less.
- iv. **Production cycle-** It is the time span between the receipt of raw materials and their conversion into finished goods. Length of production cycle affects the working capital requirement. If the duration of production cycle is longer, the working capital requirements to meet day to day expenses would be higher and if the production cycle is short less amount of working capital will be required.

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

1. **Establishing objectives:** The first step in planning is to determine objectives. Objectives must be realistic, specific and clear so as to specify what is to be accomplished by the organisation. The objectives stated must be expressed in quantifiable terms.
2. **Establishing planning 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 plans. They provide useful facts and information and facilitate the work of planning.
3. **Identifying the alternative courses of actions:** The next step in the process is to identify the various alternatives available to achieve the objective. Most of the times identifying 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 alternative courses:** The pros and cons of different courses actions are evaluated in the light of the objectives to be achieved and their feasibility is judged accordingly. Each alternative is studied with all its merits and demerits.
5. **Selecting the best alternative:** The next step is to find out the most suitable course to be followed. Efforts are directed towards selecting that course which increases efficiency in the organisation by maximising output and profits at minimum costs.
6. **Implementing the plan:** At this step, a plan is transformed from a thought (a dream) to an action (reality) by activating other managerial functions.
7. **Follow-up action:** Due to uncertainties of future it is necessary that the plan should

be evaluated from time to time, to measure its effectiveness and to ensure that the objectives are achieved.

28. The differences between advertising and personal selling are:

Basis	Advertising	Personal Selling
Form	It is an impersonal form of communication as the buyer and the seller are not in direct contact.	It is a personal form of communication as there is direct contact between the buyer and the seller.
Message	There is uniformity of message which means that the message is the same for all the customers.	There is flexibility in terms of imparting the message.
Time	It takes little time in conveying any information to the customers.	It takes more time in conveying information to the customers.
Feedback	No immediate feedback is obtained.	Immediate feedback is obtained.
Media	TV, radio, newspapers and magazines.	Through salesmen.

OR

The element is Place Mix/Physical Distribution. Some of the functions performed by this element are

- Sorting:** Middlemen procure supplies of goods from a variety of sources, which is often not of the same quality, nature and size. They sort these goods into homogeneous groups i.e., repack them according to quality, size or price.
- Accumulation:** This function involves the accumulation of goods into larger homogeneous stocks so that there is a smooth and continuous flow of supply without any delay.
- Allocation:** It involves breaking homogeneous stock into smaller marketable lots. Generally, middlemen buy the goods in bulk and then repack them in small portions for buyers e.g. once cashew nuts are graded and large quantities are built, these are divided into convenient packs of say 1kg, 500gms, to sell them to different types of

buyers in the market.

- iv. **Assorting:** Middlemen build an assortment of products for resale. They procure goods from various manufacturers and assemble them at one place so that consumer's demand is fulfilled by visiting one place. e.g. a cricket player may need a bat, a ball, wickets, gloves, a helmet, a t-shirt and a pair of shoes. He can get it by visiting a sports items shop instead of various shops.
- v. **Product promotion:** Mostly advertising and other sales promotion activities are performed by manufacturers. Middlemen also participate in certain activities such as demonstrations, special displays, contests, etc. to attract the customers and for increasing the sale of products.