

SAMPLE QUESTION PAPER - 4
BUSINESS STUDIES (054)
CLASS XII (2024-25)

Time Allowed: 3 hours

Maximum Marks: 80

General Instructions:

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

1. Ravi is the Managing Director of **Ionn Ltd.**, manufacturing different varieties of cheese. He has an efficient team working under him consisting of Lalit at, the Production manager, Varun - the Marketing manager and Abhay - the Finance manager. They understand and interpret the policies made by Ravi, ensure that their departments have adequate manpower, assign them the necessary duties and motivate them to achieve the desired objectives. Identify the level of management they are working. **[1]**
 - a) Top Level Management
 - b) Operational Management
 - c) All of these
 - d) Middle Level Management
2. Money market instruments issued on behalf of the Central Government: **[1]**
 - a) Treasury Bill
 - b) Commercial Paper
 - c) Call Money
 - d) Commercial Bill
3. What are certain assumptions about the future on the basis of which the plan will be ultimately formulated? **[1]**
 - a) Method premises
 - b) Management premises

c) Planning Premises

d) Esteem needs

4. What out of the following is the effect of optimal capital structure? [1]

a) Increase in the value of equity share

b) Increase in shareholders wealth

c) All of these

d) Low financial risk

5. An efficient control system helps to [1]

a) Accomplishes organisational objectives

b) Judges accuracy of standards

c) All of these

d) Boosts employee morale

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



a) Initiative

b) Division of Work

c) Equity

d) Remuneration

7. Sensex is dependent on _____ companies. [1]

a) 100

b) 50

c) 500

d) 30

8. Mega Enterprises is a company manufacturing water geysers. The company has a functional structure with four main functions-Production, Marketing, Finance and Human Resource. As the demand for the product grew, the company decided to hire more employees. Identify the concept which will help the Human Resource Manager in deciding the actual number of persons required in each department. [1]

a) Estimating manpower requirements

b) Workload Analysis

c) All of these

d) Workforce Analysis

9. 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 (b)

b) option (c)

c) option (a)

d) option (d)

10. **Assertion (A):** Decentralization is an optional policy decision.

[1]

Reason (R): It is done at the discretion of the top management.

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. 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) Money market

b) Both Primary and Secondary markets

c) Secondary market

d) Primary market

12. Rajnish is the finance manager of Jupiter Ltd. In the current year, the company earned high profit. However, Rajnish thinks that it is better to declare smaller dividend as he

[1]

is unsure about the earning potential of the company in the coming years. Rajnish's choice of dividend decision is based on which of the factor that affect it?

- a) Shareholders' preference
- b) Stability of Earnings
- c) Cash Flow Position
- d) Stability of Dividends

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. Elpis Ltd. has a plan of increasing profits by 20%. It has devoted a lot of time and money to this plan. But the competition starts increasing, so it could not change its plan to beat its competitors because huge amount of money had already been devoted to the pre-decided plan. It caused losses to the company. [1]

Identify the limitations of planning highlighted in the above case.

- a. Planning is a time consuming process.
- b. Planning leads to rigidity.
- c. Planning reduces creativity.
- d. Planning is a costly process.

- a) c and d
- b) b and c
- c) d and a
- d) a and b

15. Why is working capital important? [1]

- a) To make payment for routine expenses
- b) To buy building

c) To buy machine

d) To buy land

16. **Statement I:** Labelling helps in promotion of the products; and provides information required by law. [1]

Statement II: Pricing is the single most important factor affecting the revenue and profits of a firm.

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.

17. In 2019 alone, Swiggy has launched operations in 300 towns and cities. Swiggy follows a two-step sequence while expanding to a small town. First, it provides more laborious training to restaurants and delivery partners compared to their counterparts in the city. Second, it focuses on building scale in operations and increase the restaurant's reach to a larger base of consumers, including optimizing kitchens, resource planning among others. [1]

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

a) Procedure

b) Method

c) Programme

d) Strategy

18. Match the following activities in column I with their respective levels of management in column II: [1]

(a) Top Management	(i) Introducing a new product line and deciding the capital structure of the company.
(b) Middle Management	(ii) Recruitment of casual labourers.
(c) Supervisory or Operational Management	(iii) Devise a suitable advertising campaign to sell a new product/service a company is launching.

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

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

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

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

19. The firm's ability to borrow at a lower rate increases its capacity to employ higher debt. The factor affecting choice of capital structure referred to is: [1]
- | | |
|--------------------|-----------------|
| a) Floatation cost | b) Control |
| c) Cost of equity | d) Cost of debt |

20. Controlling is related to _____. [1]
- | | |
|----------------|-------------|
| a) Results | b) Managers |
| c) Individuals | d) Things |

21. Paras Mining Industry owns and operates coal mines in different parts of the country. [3]
It employs thousands of workers who do this dangerous and potentially lethal job. Several miners contend with air filled with dust, develop asthma and other respiratory problems. Many times, fatal accidents take place due to insufficient safety measures. Garbage from the mines is often dumped in local rivers, which pollute the water bodies.
Identify and state any two management objectives which are being ignored by Paras Mining Industry.

22. Explain **Supervision** and **Communication** as elements of **directing** function of management. [3]

OR

Explain any three measures to overcome the barriers to improve communications effectiveness.

23. State any three factors that determine the requirements of working capital of a company. [3]

24. Govind purchased a book from a book-seller and got the cash memo of ₹400 which he paid for the book. Later, he found that the actual price of the book is ₹380 but the book-seller had put a sticker of ₹400 on the original price. Can Govind recover the extra money that he paid? What other options are available to him against book-seller if he is refused to give the extra money he paid? [3]

OR

Consumer protection has a wide scope. Justify the statement.

25. Explain policy and procedure as types of plan. [4]

OR

What do you mean by planning premises?

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

OR

PQR Ltd. is engaged in manufacturing machine components. The target production is 200 units per day. 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.

- a. Identify the management function to rectify the above situation.
- b. Briefly state the procedure to be followed so that the actual production may come up to the target production.
27. Devender and Rakhi both are friends. Both have completed their MBA course. [4]
Currently, they are employed, at an equal level, in a multi-national company. Devender is Deputy Manager in **Kidswear Division** and Rakhi is Deputy Manager in **Ladieswear Division**. Mr. Raghu Parsad is their boss. In order to please his boss, Devender always plays the role of Yes Man. On the other hand, Rakhi says Yes only for reasonable matters. She unhesitatingly refuses any wrong action of her boss. At the end of the year, when the performance of both of them was evaluated, then Rakhi's performance stood better than that of Devender. In spite of all this, Mr. Parsad decided to promote Devender. Behind this decision, the consideration of the boss was: being a lady, Rakhi will not be able to take as yet the responsibility of a higher post. So, let her stay where she is at present.
- a. Identify which Principle of Management has been violated by the company.
- b. Quoting the lines, identify those values which have been ignored in the above paragraph.
28. 'Supervision is an important element of directing function'. Explain any four reasons [4]
in support of the above statement.
29. Differentiate between Primary Market and Secondary Market on the following basis: [4]

- a. Company involvement
- b. Price determination
- c. Location
- d. Capital formation

30. Explain the following rights of a consumer as per the provisions of Consumer Protection Act, 2019: [4]
- i. Right to safety
 - ii. Right to be heard
31. Explain the various steps in the **Process of Staffing** function of management. [6]

OR

Nishant, the director of a garment company, is planning to manufacture bags for the utilization of waste material from one of his garments unit. He has decided that his manufacturing unit will set-up in a rural area of Odisha where people have very few job opportunities and labour is available at very low rates. He also thought of giving equal opportunities to men and women. For this, he wanted four different heads for sales, accounts, purchase, and production. He gave an advertisement and shortlisted ten candidates per post after conducting different selection tests.

- a. Identify and state the next three steps for choosing the best candidate out of the shortlisted candidates.
 - b. Also, identify two values that Nishant wants to communicate to society by setting up this manufacturing unit.
32. 'Singhal Printers Limited' is a famous company of Printing Industry. Its main business is to print the Greeting Cards of Deepavali, Eid, Christmas, Gurmurb and other festivals. The Greeting Cards of this company are well known throughout India. The Government made such changes in its Tax Policy recently which have had a positive impact on the Printing Industry. One negative factor noticed with regard to this Industry is that now people have started preferring internet and mobile to Greeting Cards on festivals and other occasions. Similarly, it has also been noticed that in Printing Industry only those companies are earning profits which have adopted modern technology. [6]
- Recently, the new Central Government of the country decided to establish Industrial

Estate in the name of Printing Club' for the development of this industry. Also a decision to simplify the process of Industrial Disputes of Printing Industry in the country was taken. The Managing Director of 'Singhal Printers Limited' made a through study of the business environment. He arrived at the conclusion that the business environment is a group of not one but several factors. All these factors affect business in some or the other form. Business has no control over them. Business has to mould itself in accordance with them. The companies which follow this principle stay in the market for a long time and the remaining ones disappear from the market gradually.

- a. Identify the different dimensions of business environment described in the paragraphs given above by quoting the relevant lines.
- b. Which particular feature of business environment is being hinted/referred to here?

OR

On Your Marks is a good shoe manufacturing company. The company is the first to start a shoe having a unique technology giving it a long life. However the company knows that it exists in an environment where everything around it counts; so everything around it matters. Therefore, it is trying to observe every small aspect of the business environment. There are various factors which are closely related to each other and can't be understood in isolation like change in lifestyle which can be linked to the improved demand of technologically advanced shoes. However, the company can't be self satisfied. It will have to adjust to rapidly changing technology, fragmentation of market, changing brand loyalties, etc. It has got good man power and a very well established production department. It knows that various resources in the form of inputs have to be transformed into the best products and sold for increasing its revenue. However, there are various challenges which the company is facing. These are in the form of protests done by labour unions throughout the country which sometimes assume the form of strikes. The board of directors is keen to adapt to this difficult situation. Government is playing a very positive role, like it did a few years back, and is freeing the business environment from unnecessary restrictions and government controls. The company is hopeful of emerging as a winner under such government support.

- i. Which features of business environment are highlighted in the above case?
- ii. Identify the importance of business environment highlighted in the above case?
- iii. Which dimension of business environment is highlighted above?

iv. Which economic reform is discussed in the last part of the case?

33. A company manufacturing sewing machines set up in 1945 by the British promoters follows formal organisation culture in totality. It is facing lot of problems in delays in decision making. As the result it is not able to adapt to changing business environment. The work force is also not motivated since they cannot vent their grievances except through formal channels, which involve red tape. Employee turnover is high. Its market share is also declining due to changed circumstances and business environment. You are to advise the company with regard to change it should bring about in its organisation structure to overcome the problems faced by it. Give reasons in terms of benefits it will derive from the changes suggested by you. [6]
34. Advertisement is an important business activity. On the one hand, it makes available to the people information regarding different new and old products and on the other, it is also a source of living for many persons. Impressed by these traits of advertisement Tanu, Manu and Sanchit, three students of Class-XII made up their mind to go ahead with project work on an advertisement. All the three conversed with the people about advertisement. Each one of them, on the basis of his survey, concluded as under: [6]
- i. Tanu opined that advertisement costs get transferred to consumers in the form of high prices.
 - ii. Manu was of the opinion that advertisement showed reality in a twisted form.
 - iii. Sanchit maintained that advertisement was turning people from reality to artificiality.
- a. What do the above remarks about advertisement hint at? Clarify it.
 - b. Identify two values that advertisement presents to society.

SOLUTION
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1.
(d) Middle Level Management
Explanation:
Middle Level Management
2. **(a) Treasury Bill**
Explanation:
Treasury Bill issued by RBI on behalf of Central Government.
3.
(c) Planning Premises
Explanation:
Planning Premises are certain assumptions about the future on the basis of which the plan will be ultimately formulated
4.
(c) All of these
Explanation:
The capital structure of a company affects both the profitability and the financial risk. A capital structure will be said to be optimal when the proportion of debt and equity is such that it results in an increase in the value of the equity share. In other words, all decisions relating to the capital structure should emphasize increasing the shareholders' wealth.
5.
(c) All of these
Explanation:
Employees have the clarity of goals to be achieved thus, making it clear and easy for performance, Organisational objectives are stated, thus making the employee set up achievable standards towards achieving the organizational goals. Thus, an efficient control system is able to achieve better results in terms of organizational goals, employee morale and motivation, clarity in standards and setting up of achievable standards.
6.
(b) Division of Work
Explanation:
Division of Work

7.

(d) 30

Explanation:

SENSEX is dependent on 30 companies

8.

(b) Workload Analysis

Explanation:

Workload Analysis

9. **(a)** option (b)

Explanation:

Working capital requirement is higher in firms with shorter processing cycle.

10. **(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.

11.

(d) Primary market

Explanation:

Primary market

12.

(d) Stability of Dividends

Explanation:

Stability of Dividends

13.

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

Explanation:

Both the Statements I and II are correct.

14.

(d) a and b

Explanation:

a and b

15. **(a)** To make payment for routine expenses

Explanation:

To make payments of day to day expenses.

16.

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

Explanation:

Both the Statements I and II are correct.

17.

(d) Strategy

Explanation:

Strategy is the type of plan being described in the question.

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

Explanation:

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

19.

(d) Cost of debt

Explanation:

Cost of debt

20. **(a) Results**

Explanation:

Controlling is a goal-oriented function. The controlling function measures progress towards the organization goals and bring to light the deviations, if any and indicate corrective action. Controlling helps the organization to achieve desired results.

21. i. **Personal Objectives-** Personal objectives of management are concerned with satisfying diverse needs of the employees such as-

- Financial needs by giving them competitive salary and perks.
- Social needs like peer recognition, and
- Higher level needs like personal growth and development.

ii. **Social Objectives-** Social objectives of management involves consistently creating benefits or economic value for various constituents of society.

22. **Supervision:**

It means overseeing what is being done by subordinates and giving instructions to ensure optimum utilisation of resources and achievement of work targets. supervision is done by the experienced worker over unexperienced worker.

Communication:

Communication is defined as a process of exchange of information, ideas, views, facts, feelings, etc., between two or more persons to create common understanding.

OR

The three measures to overcome the barriers to improve communications effectiveness are:

1. Clarify the areas before communication: Before communicating to employees a manager should make an analysis of the subject matter.
2. Communicate according to the needs of receiver: The manager should make adjustments according to the needs of the receiver.
3. Consult others before communication: A manager should encourage participation of subordinates which will ensure their support and cooperation.

23. Factors affecting the working capital requirement of the company:

- i. **Nature of Business:** Influences working capital requirements in a trading organisation which usually needs a smaller amount of working capital compared to a manufacturing organisation, while service industries that generally do not have to maintain inventory require less working capital.
 - ii. **Scale of operations:** This influences working capital requirements in large organisations, which require a large amount of working capital compared to organisations that operate on a lower scale. scale of operation directly relates with the requirement of the working capital of the organisation.
 - iii. **Business cycle:** Affects the firm's working capital requirement, as in the case of a boom, a larger amount of working capital is required compared to the period of depression.
24. Govind is a responsible consumer since he has got the Cash Memo for the book he purchased. Cash memo is the proof of purchase. If there is any defect in goods purchased or deficiency in services hired, consumer must have a cash memo to file the complaint in the appropriate consumer court. So, Govind can recover the extra money he paid (₹20) from the bookseller.

If the book-seller refused to give back ₹20, Govind can file a complaint against the book-seller in the District commission and get reliefs, such as

- i. refund of the price paid for the book (₹400),
- ii. payment of adequate costs incurred for filing the complaint.

OR

Consumer protection has a wide scope.

- It not only includes educating consumers about their rights and responsibilities, but also helps in getting their grievances redressed.
- It not only requires a judicial machinery for protecting the interests of consumers but also requires the consumers to be united and form themselves into consumer associations for protection and promotion of their interests.
- Providing protection to consumers against unscrupulous, exploitative and unfair trade practices of traders, manufacturers and service providers.

25. **Policy**

- These are the general guidelines which bring uniformity in decision making.
- It can be defined as an organisation's general response to a particular problem or situation.
- Policies are made at every level because the managers at every level need to decide or predetermine the way of handling a situation.
- These act as a guide to take decisions in an unexpected situation.
- For example, a school may have a policy of giving admission to the students who have secured more than 60% marks.

Procedure

- These are those plans which determine the sequence of any work to be performed.
- They are specified in chronological order.
- Procedures are designed to execute policies and achieve objectives.
- For example, the procedure may be for the purchase of raw material, selection of employees, redressal of grievances, etc.

OR

- While making plans every manager has to make certain assumptions related to the future. These assumptions are known as premises.
- Planning premises are assumptions relating to future conditions and events which are likely to have an effect on the achievement of organizational goals.
- These are the bases upon which the entire structure of planning is built.
- Every plan is drawn with certain assumptions. To make planning effective, it is necessary that the premises should be based on accurate forecasts..
- For example, demand for a product, the cost of raw materials, interest rates, state of technology, the intensity of competition, government policies etc.

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

- a. The controlling function of management is needed to rectify the above situation.
 - b. The procedure to be followed so that the actual production may come up with the target production is as follows:
 - i. Establish standards to measure performance.
 - ii. Measure actual performance.
 - iii. Compare performance with the standards.
 - iv. Take corrective actions..
27. a. In this case, 'Principle of Equity' has been ignored. According to the principle, the managers should treat their subordinates in a just and kind manner.
- b. Values that have been ignored:
 - i. Good human behaviour: In order to please his boss, Devender, always plays the role of "Yes Man."
 - ii. Gender Equality: In spite of all this, Mr. Parsad decided to promote Devender, Behind this decision, the consideration of the boss was, being a lady, Rakhi will not be able to take as yet, the responsibility of a higher post. So let her stay where she is at present.

28. Importance of Supervision/Functions of Supervisor:

1. Ensures Issuing of Instructions:

The supervisor makes sure that all the instructions are communicated to each and every employee. The top level and middle level, plan out all the instructions but the instructions are issued only by supervisory level management.

2. Optimum Utilisation of Resources:

When the workers are constantly monitored or observed then they always use the resources in the best possible manner which leads to minimum wastage. But if there is no supervision or check on workers they may result in wastage of resources.

3. Discipline:

The strict supervision and guidance of supervisor encourages the employees and workers to be more disciplined in their activities. Under the guidance of supervisor the workers follow a fixed or strict time-table and execute the plans in right directions.

8. Maintain group unity:

Supervisor plays a key role in maintaining group unity among workers working under him he maintains harmony among workers by solving their disputes.

29. Difference between Primary Market and Secondary Market:

Basis	Primary Market	Secondary Market
(a) Company Involvement	Securities are sold by the company to the investors.	Ownership of existing securities is exchanged between investors; company is not involved.
(b) Price Determination	Prices are determined by the management of the company.	Prices are determined by the forces of demand and supply of securities.
(c) Location	No fixed location.	Located at specified places.
(d) Capital Formation	Directly promotes Capital formation in the country.	Indirectly promotes Capital formation in the country.

30. i. **Right to safety** A consumer has a right to be protected against goods and services which are hazardous to life and health. For instance, electrical appliances which are manufactured with sub-standard products do not conform to the safety norms, might cause serious injury. Therefore, the companies should manufacture the product by taking into consideration the quality and safety features of the product and the product must bear a standard safety mark like ISI and AGMARK. Thus, consumers are educated that they should use electrical

appliances which are ISI marked, as this would be an assurance of such products meeting quality specifications

- ii. **Right to be heard** A consumer has a right to file a complaint and to be heard in case of dissatisfaction with regard to a good or service. It is because of this reason that many enlightened business firms have set up their own consumer service centers and grievance cells. Many consumer organizations are also working towards this direction and helping consumers in redressal of their grievances. Consumers must become vigil towards this fact that in case they are cheated, then they can seek justice by approaching the grievance cells.

31. Steps in the process of staffing function of management:

- i. Estimating Manpower requirements
- ii. Recruitment and Selection
- iii. Placement and orientation
- iv. Training and development
- v. Performance appraisal, Promotion and career planning
- vi. Compensation paid to employees according to their job works.

OR

- i. The next three steps to be followed by Nishant in the selection process after giving advertising and shortlisting ten candidates per post after conducting different selection tests are as follows:
 - a. **Employment Interview:** It is a face-to-face interaction between the interview and prospective candidates. It involves a formal, in-depth conversation that is conducted to evaluate the applicant's suitability for the job.
 - b. **Reference and Background Checks:** At the time of filling up of the job application form the prospective candidates are required to provide names, addresses, and telephone numbers of references for the purpose of verifying the information and gaining additional information about him/her.
 - c. **Selection Decision:** The final decision about the selection is made from among the candidates who pass the test and interview.
- ii. The two values that Nishant wants to communicate to society by setting up this manufacturing unit are:
 - a. Rural development
 - b. Gender equality

32. **The dimensions are as follows:**

- i. **Economic Environment:** Economic Environment consists of factors like inflation rates, interest rates, consumers' incomes, economic policies, market conditions etc. which affect

the performance of a business firm.

- a. Interest Rates: Changes in the interest rates greatly affect the demand for goods and services. For example, low long term rates on home loans are beneficial for banks and consumers both.
 - b. Consumer Income: Increase in the incomes of the consumers leads to increase in their purchasing power. Hence, demand for goods and services rises.
 - c. Inflation Rate: High inflation rate increases the cost of production and hence puts constraints on firms.
- ii. Social Environment: Social environment implies traditions, literacy rates, educational levels, values, customs, lifestyle, demographic distribution and other characteristics of the society in which the organization exists. Traditions mean customs or social practices that have passed on from one generation to another. Values mean standards that a society holds in high esteem e.g., freedom, social justice, equal opportunities etc. which are cherished by us all. Changes in social environment affect the demand for a product, supply of labour and capital. If a business fails to adapt to such changes, its survival becomes difficult. Cooperation between business and society can make business boom (WIN-WIN) whereas confrontation between them may lead to disaster (LOSS-LOSS). Cooperation between business and society will see business boom and will help in the growth of professional managers as well as the country whereas failure of any business organization in adapting itself to changes in the social environment will lead to dissatisfaction amongst its customers and rejection of its products. This shift of demand can ever endanger the very survival of that business.
- iii. Technological Environment: The forces related to scientific improvements and innovations for improving quality of goods and services and new techniques for operating the business, are all part of technological environment. It includes new approaches, new procedures and new equipments to transform inputs into outputs. It facilitates an organization's efficiency and effectiveness so that it can try to remain at par with the best in the world. Technological changes provide opportunities for some enterprises and become threats for some others. For example, digital watches killed the business prospects of traditional watches, TV has adversely affected radio and cinema industry, mobile phones have taken over the market from landline phones.
- iv. Political Environment: Political Environment consists of forces such as political stability and peace in the country and attitude of the ruling party and its representatives towards business. These forces significantly affect the functioning of business. Whenever there is political stability, it increases the confidence of businessmen whereas political instability, adversely affects the business. For example even after opening of our economy in 1991, many foreign companies found it very difficult to enter the Indian market because of 'Bureaucratic Red Tape'. As a result, many of these companies got discouraged from doing business in India.
- v. Legal Environment: Legal environment consists of rules and regulations, framed by the Parliament, under which business must operate. To exist and grow, business is required to follow all the rules and regulations that constitute this environment. Legal Environment includes different laws passed by the government, administrative orders issued by government authorities, courts and also various 'recommendation made by various commissions agencies at three levels of the government – central, state, local. It is very essential for the management of any business firm to obey these rules and regulations for smooth functioning of the business.

The particular feature of business environment referred to here is Uncertainty: It is very difficult to predict the changes of Business Environment. As environment is changing very fast for example in IT, fashion industry frequent and fast changes are taking place.

OR

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

- i. **Totality of external forces:** However, the company knows that it exists in an environment where everything around it counts; so everything around it matters.
- ii. **Inter-relatedness:** There are various factors which are closely related to each other and can't be understood in isolation like change in lifestyle which can be linked to the improved demand of technologically advanced shoes.

The importance of business environment highlighted in the above case:

- i. It helps in coping with rapid changes. It will have to adjust to rapidly changing technology, fragmentation of market, changing brand loyalties, etc.
- ii. It helps in tapping useful resources. It knows that various resources in the form of inputs have to be transformed into the best products and sold for increasing its revenue.

The dimension of business environment which is highlighted in the above case is **Political Environment**. These are in the form of protests done by labour unions throughout the country and about to assume the form of strikes.

The economic reform which is discussed in the last part of the case is **Liberalisation**.

Government is playing a very positive role, like it did a few years back, and is freeing the business environment from unnecessary restrictions and government controls.

33. The major change that is required to correct the situation is to **move away from a complete formal organisation structure and allow for some informal structure**. An informal structure is a network of social relationships that arise out of personal interactions among employees of an organisation beyond their officially defined roles.

An informal structure would benefit the organisation in the following manner.

- As no definite path or channel of communication is followed, information spreads faster.
- An informal organisation allows for personal communication beyond the officially defined roles. This unofficial interaction provides a sense of belongingness among the employees towards the organisation and towards each other. This helps in lowering the employee turnover.
- An informal organisation supports the working of formal organisation, thereby helps in fulfilment of organisational objectives in a better manner.

The company can diversify in other sewing related products as better and technologically advanced sewing machines, machines with advance features such as embroidery.

34. a. The remarks in the above paragraph hint at objections against the advertisement.

According to all the three participants in the project work, the main disadvantages of advertisement are as under:

- i. **It Adds to Costs:** An organisation has to spend a huge amount on advertisement. It increases the cost of the products. To meet the expenditure, the price of the product is raised. No manufacturer pays for advertising expenses out of his Advertising, therefore, it leads to an unnecessary rise in prices. In this regard, it is said that advertising costs are passed on to the consumers in the form of high prices.
- ii. **It Confuses the Buyers:** Many a time distorted version of reality is depicted in the advertising. Under the influence of advertisements, consumers go in for the product. When they use it, they feel cheated. Then they realize that the information given in the advertisement about the product was quite different from the actual product. In this way, advertisement states people's confidence in it. Therefore, it is said that advertising confuses consumers rather than helping them.
- iii. **It undermines Social Values:** Advertisement is a kind of day-dreaming for the people. It drives people away from reality into the realm of artificiality. Through its medium people are regularly informed about new products. Only very few products of any worth for them. The brilliance of new products overwhelms them. They are tempted to buy them but lack the necessary resources. Consequently, they feel frustrated with their lot. Considering it a social evil, it can be said that advertisement undermines social values.

b. Values:

- i. Adds to knowledge.
- ii. Provides employment opportunities.