

**Time Allowed: 3 hours**

**SAMPLE QUESTION PAPER - 5  
BUSINESS STUDIES (054)**

**Maximum Marks: 80**

**General Instructions:**

**CLASS XII**

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. Modern organisations are characterised by a high degree of specialisation. **[1]**  
Specialisation arises out of the complexities of modern technology and the diversity of tasks to be performed. Organisations, therefore, need to employ a number of specialists. Specialists usually think that they only are qualified to evaluate, judge and decide according to their professional criteria. They do not take advice or suggestions from others. This often leads to conflict amongst different specialists as well as others in the organisation. State the reason why coordination is required in such a case.
  - a) To harmonise individual goals and organisational goals.
  - b) To reconcile the differences in approach, interest or opinion of the specialists.
  - c) To secure unity of action in the realisation of a common purpose.
  - d) To integrate the efforts of individuals and departments.
  
2. Which of the following is included in the financial assets? **[1]**
  - a) Treasury bill
  - b) Debentures
  - c) Shares
  - d) All of these
  
3. Planning is concerned with \_\_\_\_\_. **[1]**
  - a) Looking forward
  - b) Looking old records
  - c) Looking back
  - d) Looking new records

a) Preference Share Capital

b) Debt Capital

c) Equity Share Capital

d) Working capital

5. Which among the following is a feature of the standard? [1]

a) Static

b) General guidelines

c) Flexible

d) Rigid

6. Identify the principle of general management depicted in this pictorial representation. [1]



a) Esprit De corps

b) Orders

c) Unity of direction

d) Unity of command

7. Sensex is dependent on \_\_\_\_\_ companies. [1]

a) 100

b) 50

c) 500

d) 30

8. Kishore Enterprises is a company engaged in the marketing of air-conditioners of a famous brand. The company has a functional structure with the four main functions - Purchase, Sales, Finance and Staffing. As the demand for the product grew, the company decided to recruit more employees. Identify the concept which will help the Human Resource Manager to find out the number and type of personnel available so that he could decide and recruit the required number of persons for each department. [1]

a) Workforce Analysis

b) Workload Analysis

c) All of these

d) Estimating manpower requirements

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



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

d) Both the Statements I and II are correct.

14. Based on National Common Mobility Card standards, India's first indigenously developed inter-operable transport card was launched in March 2019 to make travel across various modes convenient. Identify the type of plan being described in the above lines. [1]

a) Method

b) Strategy

c) Rule

d) Programme

15. Favourable financial leverage is a situation where: [1]

a) ROI is Equal to the Rate of interest on debt

b) ROI is lower than the rate of interest on debt

c) ROI is higher than the cost of debt

d) None of these

16. **Statement I:** Important decision areas in respect of physical distribution include selection of dealers or intermediaries to reach the customers, providing support to the intermediaries (by way of discounts, promotional campaigns, etc.). **Statement II:** Sales Promotion of products and services include activities that communicate availability, features, merits, etc., of the products to the target customers and persuade them to buy it. [1]

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

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

c) Both the Statements I and II are correct.

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

17. While doing work, an idea struck Rajender, which will not only reduce the time of work but would also reduce the cost but he was neither allowed to deviate from plans nor permitted to act on his own. Choose the limitation of planning described in the above para. [1]

a) Planing reduces creativity

b) Planning involves huge cost

c) Planning does not guarantee success

d) Planning leads to rigidity

(a) Management of work	(i) In a factory, a product is manufactured, in a garment store a customer's need is satisfied and in a hospital a patient is treated. Management translates the goals to be achieved and assigns the means to achieve it.
(b) Management of people	(ii) No matter what the organisation, it has some basic product or service to provide in order to survive the flow of input material and the technology for transforming this input into the desired output for consumption.
(c) Management of operations	(iii) The task of management is to make people work towards achieving the organisation's goals, by making their strengths effective and their weaknesses irrelevant.

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

19. Which of the following affects capital budgeting decision? [1]

- a) Investment Criteria and interest rate                      b) Cash Flow of the Project  
c) All of these                      d) Rate of Return

20. Management control is done by the \_\_\_\_\_. [1]

- a) Managers at Lower Level                      b) All of these  
c) Managers at Middle Level                      d) Managers at Top Level

21. **Students Pushtak Prakashan Ltd.** publishes quality books on various subjects. [3]

According to a scheme of the company those employees who give standardised performance will be sent on a free foreign trip for a week. Three managers of the company, namely Rakesh Sharma, Rajiv Gupta, and Amarjit Singh got this lucky chance this year. All three managers went on a foreign trip. During the visit, although they were in pleasure mood yet they remained closely associated with the company. One evening they were busy in discussing as to what they can do, as managers, for the company and the society. Their opinions in this respect were as under:

Rakesh Sharma Opined: It is our duty towards the company that has offered us jobs, to do something to keep it alive for a long period, to develop it and enable it to earn profit continuously. Rajiv Gupta was of the view that we all, including the company,

the general public.

In the end, Amarjit Singh remarked that in running the organisation, the contribution of the employees is always the maximum. We should, therefore, pay all-out attention to their feelings. It is important for us to ensure what they want. Thus by expressing their views all three realised their responsibilities towards the company, society, and employees.

a. Around which concept of management the above discussion does revolve?

b. Which aspect of the concept identified wide point (a) has been touched by the three managers? Clarify.

22. Mention any two measures to improve communication effectiveness. **[3]**

OR

The barriers to effective communication exists in all organisations to a greater or lesser degree. Organisations keen on developing effective communication should adopt suitable measures to overcome the barriers and improve communication effectiveness. State some measures to improve communication effectiveness.

23. Shyam wanted to start a business of selling handicrafts by getting in touch with the craftsmen in the rural areas of Bengal. He wants to make a low investment in fixed Capital. Advise him in taking suitable decisions regarding the Nature of Business, Scale of operations and Financing Alternatives (in a developed financial market) that he needs to take for the purpose. **[3]**

24. How are consumer grievances redressed by the three-tier machinery under CPA, 1986? Explain. **[3]**

OR

State any two functions performed by non-governmental organisation for consumer protection.

25. Inspite of best efforts of managers, sometimes planning fails to achieve desired results due to its limitations. Give any two points. **[4]**

OR

Explain the meaning of policies.

26. Controlling is a systematic process involving a series of steps. Explain. **[4]**

OR

What factors have to be considered while deciding standards?

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. Describe the role of motivation in directing function of management. [4]
29. SEBI is the watch dog of security market. Do you agree? Give reason. [4]
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. Prateek has started an advertising agency in Gurgaon. One of the pages on his company's website contains the following information, "Welcome to all the visitors of this page who are looking for an opportunity to make a career in the field of advertising. The openings are available in the company at various levels, so don't miss the chance." This page includes a link to provide further details about the vacancies available in terms of the desired qualifications, experience, personality characteristics and so on. Through a continuous assessment of the number and types of human resources necessary for the performance of various jobs and accomplishment of organizational objectives and in relation to the number and type available, he gets the information on this page updated. [6]
- In the context of the above case:
- a. Identify and explain the steps in the staffing process being carried out by Prateek by quoting lines from the paragraph.
  - b. Name the concept that relates to the details about the vacancies available in terms of the desired qualifications, experience, personality characteristics and so on.

OR

State the merits of internal sources of recruitment.

on a commission basis. They also thought of providing tickets within ten minutes through the use of the internet. They discussed the idea with their Professor Mr. Mehta who liked the idea and suggested them to first analyze the business environment which consists of investors, competitors and other forces like social, political, etc. that may affect their business directly or indirectly. He further told them about the technological improvements and shifts in consumer preferences that were taking place and hence they should be aware of the environmental trends and changes that may hinder their business performance. He emphasized on making plans keeping in mind the threat posed by the competitors so that they can deal with the situation effectively. This alignment of business operations with the business environment will result in better performance.

- a. Identify and state the component of the business environment highlighted in the above Para.
- b. State any two features of the business environment as discussed by Professor Mehta with Naman and Govind.
- c. Also, state two points of importance of the business environment as stated by Professor Mehta in the above situation.

OR

Disco Ltd. manufactures fashionable and designer clothes. Recently it finds that the demand for its products has been declining. After market research it was discovered that fashion and tastes of the consumers is changing at a fast pace. Customers' demand is increasing. New competitors have entered the market with new designs. It is very difficult for the company to predict future happenings. Also, it is difficult to know the extent of the relative impact of the social, economic, political, technological or legal factors on decrease in demand of its products in the market.

A meeting was held in which managers from different functional levels heading Production, Marketing, Finance, etc., for example, Chief Operating Officer, Chief Finance Officer, Vice President (Marketing) were present to discuss how to deal with the situation. After a long discussion, it was decided that they would study and analyse the market first to identify customer tastes and fashion and then manufacture garments accordingly. It was also decided to increase expenditure on advertising, after-sales services, etc.

- a. Identify any two features of business environment by quoting the lines from the above case.
- b. Identify any two impact of government policy changes on business, quoting lines from the above case.
- c. State the point of importance of understanding of environment by business managers in the light of the above para.



2. Tenure,
3. Durability,
4. Leadership,
5. Interdependence and
6. Flow of authority,

34. Advertisement is an important business activity. On the one hand, it makes available [6] 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:
- 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.

## Solutions

1. **(b)** To reconcile the differences in approach, interest or opinion of the specialists.  
**Explanation:** To reconcile the differences in approach, interest or opinion of the specialists.
2. **(d)** All of these  
**Explanation:** All of the above are related to financial assets
3. **(a)** Looking forward  
**Explanation:** Managers make predictions for the future not for the past. The past is used as a basis to make assumptions for the future. So, planning is concerned with looking forward.
4. **(b)** Debt Capital  
**Explanation:** Debt capital refers to borrowed funds at a low rate of interest that must be repaid at a later date. Floatation cost is low when a company takes a loan from a financial institution.
5. **(c)** Flexible  
**Explanation:** Standards are the criteria against which actual performance would be measured. It is important enough that standards should be flexible enough to be modified whenever required, because of the changes taking place in the internal and external business environment.
6. **(a)** Esprit De corps  
**Explanation:** The principle of Esprit De corps applies here. Here, management promotes a team spirit of unity and harmony among employees.
7. **(d)** 30  
**Explanation:** SENSEX is dependent on 30 companies
8. **(a)** Workforce Analysis  
**Explanation:** Workforce Analysis
9. **(c)** option (b)  
**Explanation:** Increased use of debt always lowers the overall cost of capital of the firm.
10. **(b)** Both A and R are true but R is not the correct explanation of A.  
**Explanation:** When duties are assigned to subordinates then the required authority must also be conferred to him. The delegatee is fully answerable to his superior for

11.

**(d)** Commercial paper

**Explanation:** Commercial paper is used to raise funds to meet flotation cost

12.

**(c)** Capital budgeting decisions

**Explanation:** Capital budgeting decisions

13.

**(d)** Both the Statements I and II are correct.

**Explanation:** Both the Statements I and II are correct.

14.

**(b)** Strategy

**Explanation:** Strategy is the correct option.

15.

**(c)** ROI is higher than the cost of debt

**Explanation:** Financial leverage refers to the proportion of debt in overall capital. As debt is a cheaper source of finance but very risky. More debt will increase earning only if the ROI is higher than the cost of debt.

16.

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

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

17. **(a)** Planing reduces creativity

**Explanation:** The limitation descried here is that planing reduces creativity.

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

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

19.

**(c)** All of these

**Explanation:** Rate of return cash, Flow of the project investment, criteria and interest rate affects capital budgeting decision.

20.

**(b)** All of these

**Explanation:** All functions of management like planning, co-ordinating, controlling, directing, communicating etc is an all inclusive and pervasive function performed by people working at any level in the organisation.

21. a. Objectives of management have been discussed here.

b. i. Rakesh Sharma has highlighted organisational objectives of management. It refers to the optimum use of human and physical resources available in the organisation.

ii. Rajiv Gupta has highlighted the social objectives of management. It refers to the consideration of the interest of society.

22. (i) Clarify the ideas before communication. The problem to be communicated to subordinates should be clear in all its perspective to the executive himself. The entire problem should be studied in depth, analysed and stated in such a manner that is clearly conveyed to subordinates.
- (ii) Consult others before communicating. Before actually communicating the message, it is better to involve others in developing a plan for communication. Participation and involvement of subordinates may help to gain ready acceptance and willing cooperation of subordinates.

OR

Communication is a process that involves sending and receiving of messages through a verbal and non-verbal method. The sender sends a message, the receiver receives a message and sends it back with the feedback to the sender again.

Measures to improve communication effectiveness:

- i. Clarify the ideas before communication.
  - ii. Communicate according to the needs of receiver.
  - iii. Consult others before communicating.
  - iv. Be aware of languages, tone and content of message.
  - v. Ensure proper feedback.
  - vi. Be a good listener.
23. Shyam should take into account the following points while taking decisions along the following factors :
- a. **Nature of Business:** It is advisable that Shyam starts a trading concern and engages in buying handicrafts from the craftsmen and selling them directly to the prospective buyers. He should not plan to set up a manufacturing unit as he wants to make a low investment in fixed capital.
  - b. **The scale of operations:** It is advisable that initially, Shyam carries out his business on a small scale.
  - c. **Financing alternatives:** Money required for carrying out business activities is called business finance. Almost all business activities require some finance. Finance is needed to establish a business, to run it to modernize it to expand or diversify it. It is required for buying a variety of assets, which may be tangible like machinery, furniture, factories, buildings, offices or intangible such as trademarks, patents, technical expertise etc. It is advisable that Shyam may opt for procuring fixed assets on lease instead of purchasing them as he wishes to make a low investment in fixed capital. Moreover, in a developed financial market leasing facilities are easily available.
24. The three-tier machinery under CPA, 1986 consist of District Forum, State Commission and the National Commission. A consumer can file a case in the District Forum if the value of goods and services along with the compensation claimed, does not exceed

Commission, if the value of goods and services along with the compensation claimed is above Rs1 crore. The most important fact that the consumer must know is that if the consumer does not get justice at the District Forum, he can approach the State Commission, if he does not get justice at the State Commission, he can approach the National Commission, and in case he does not get justice at the National Commission, then he may finally approach the Supreme Court of India.

On receiving the complaint, the District Forum/State Commission/National Commission shall refer the complaint to the party against whom the complaint is filed. If required, the goods or a sample, thereof, shall be sent for testing in a laboratory. The court shall pass an order after considering the test report and hearing to the party against whom the complaint is filed.

OR

Consumer organizations and NGO's perform several functions for the protection and promotion of interest of consumers. These include:

- i. Educating the general public about consumer rights by organising training programmes, seminars, and workshops.
- ii. Publishing periodicals and other publications to impart knowledge about consumer problems, legal reporting, reliefs available and other matters of interest.

25. **Planning may not work in a dynamic environment:** The rapidly changing situations present a serious difficulty in the task of planning. All business organizations are subject to change in varying degrees. Factors like taste and preference, competitor's policy, government policy, technological changes etc that change very rapidly and are quite unpredictable which makes planning an arduous task. Thus, planning does not work in a dynamic environment.

**Planning reduces creativity:** Planning restricts creativity because it is usually done by the top level of management and the rest of the organization just have to implement it. Also, all the activities are preconceived and predetermined at the stage of planning itself. There is no scope for middle and lower level managers to deviate from the plans. Thus, it discourages creativity.

OR

- Policies are those general statements which guide employees while decision making.
- Their purpose is to lay down a limit within which a particular work can be done or a decision is taken.
- Policies tell how objectives can be achieved.
- Policies bring uniformity to actions.
- For e.g. "No Credit Sale" or "Seats reserved for Women" is a policy.

26. Yes, controlling is a systematic process which involves the following steps:

that include standards of performance to compare with organizational activities. However, for some of the activities the standards cannot be specific and precise. Standards, against which actual performance will be compared, may be derived from past experience, statistical methods and benchmarking (based upon best industry practices). As far as possible, the standards are developed bilaterally rather than top management deciding unilaterally, keeping in view the organization's goals. Standards may be tangible (clear, concrete, specific, and generally measurable) – numerical standards, monetary, physical, and time standards; and intangible (relating to human characteristics) – desirable attitudes, high morale, ethics, and cooperation.

- ii. **Measure Actual Performance:** Most organizations prepare formal reports of performance measurements both quantitative and qualitative (where quantification is not possible) that the managers review regularly. These measurements should be related to the standards set in the first step of the control process.
- iii. **Compare Performance with the Standards:** This step compares actual activities to performance standards. When managers read computer reports or walk through their plants, they identify whether actual performance meets, exceeds, or falls short of standards. Typically, performance reports simplify such comparison by placing the performance standards for the reporting period alongside the actual performance for the same period and by computing the variance—that is, the difference between each actual amount and the associated standard. The manager must know of the standard permitted variation (both positive and negative). Management by exception is most appropriate and practical to keep insignificant deviations away. Timetable for the comparison depends upon many factors including importance and complexity attached with importance and complexity.
- iv. **Take Corrective Action and Reinforcement of Successes:** When performance deviates from standards, managers must determine what changes, if any, are necessary and how to apply them. In the productivity and quality-centered environment, workers and managers are often empowered to evaluate their own work. After the evaluator determines the cause or causes of deviation, he or she can take the fourth step— corrective action. The corrective action may be to maintain status quo (reinforcing successes), correcting the deviation, or changing standards. The most effective course may be prescribed by policies or may be best left up to employees' judgment and initiative. The corrective action may be immediate or basic (modifying the standards themselves).

OR

Following are the facts that should be kept in mind while setting standards:

- i. Standards should be easily obtainable.
- ii. Standards should be measurable.

- iv. Standards should be simple and clear so that the people for whom they are laid down should understand them easily.
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. Mainly because it allows management to meet the company's goals. Without a motivated workplace, companies could be placed in a very risky position. Motivated employees can lead to increased productivity and allow an organisation to achieve higher levels of output. The role of motivation in directing function of management is as follows:
- i. **Changes negative attitude to positive attitude:** Sometimes, workers have indifferent or negative attitude towards work. Motivation helps to build a positive attitude towards work through suitable rewards, positive encouragement and praise for good work.
  - ii. **Improves efficiency:** Motivation influences the level of performance of employees which depends not only on individual abilities but also on their willingness to achieve a higher level of performance. Motivation bridges the gap between the ability to work and willingness to work.
  - iii. **Creates supportive work environment:** Organisation offers various rewards to their employees to satisfy their diverse needs. They offer monetary rewards, promotional opportunities, recognition for efficient work and involvement of employees in decision-making. These bring satisfaction among employees. Such satisfaction leads to cordial relationship between the employer and employee.
  - iv. **Helps to introduce changes smoothly:** Whenever some changes are brought in the organisation, employees resist change. However, with proper motivation, employees can be convinced that the proposed changes will bring additional rewards to the employees, This will help them to readily accept the changes.
29. Yes, I agree as SEBI regulates and protects the interest of investors. SEBI was established in 1988 and given a statutory status in 1992, to protect the investors from the fraudulent malpractices, rampant in securities market before 1988. As a watch dog, it regulates the market and protects the investors by keeping a check on various manipulative activities by performing the following functions:
- i. Regulates takeover bids by companies.

by conducting inspections, enquiries and audits of the companies.

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. a. The two steps in the staffing process being carried out by Prateek are as follows:
- i. **Estimating the Manpower Requirements:** It is the first step in the staffing process and is carried out with the help of workload analysis (assessment of the number and types of human resources necessary for the performance of various jobs and accomplishment of organisational objectives) and workforce analysis (assessment of the number and type available).  
The lines from the paragraph are:  
"Through a continuous assessment of the number and types of human resources necessary for the performance of various jobs and accomplishment of organizational objectives and in relation to the number and type available."
- ii. **Recruitment:** Recruitment may be defined as the process of searching for prospective employees and stimulating them to apply for jobs in the organization.  
The lines from the paragraph are:  
"One of the pages on his company's website contains the following information, "Welcome to all the visitors of this page who are looking for an opportunity to make a career in the field of advertising. The openings are available in the company at various levels, so don't miss the chance/"This page includes a link to provide further details about the vacancies available." and "..he gets the information on this page updated."
- b. A job description is the concept that relates to the details about the vacancies available in terms of the desired qualifications, experience, personality characteristics and so on.



respects

- i. **Economical sources:** Internal sources are less time-consuming and less expensive because it reduces the need for tests and selection process.
- ii. **Simplifies the process of selection:** Since the employees are already known to the organisation, therefore, the process of selection and placement gets simplified.
- iii. **Motivates employees:** Filling higher level jobs through promotion helps to improve the motivation and morale of employees as they know that they can be promoted to a senior position in the organisation if they work harder for the organisation. Ambition to occupy post of higher rank will add to their morale.
- iv. **The sense of security:** Internal recruitment creates a sense of security among the staff. So, their selection for the higher post involves no risk.
- v. **No problem in adjustment:** As the organisation and the employees are familiar with each other, this leads to the smooth functioning of the enterprise without any problem in adjustment on the part of the new employees or the organisation.
- vi. **Industrial peace:** The promotion process continues from top to bottom in the whole organisation. This motivates the employees to enhance their performance through learning and peace.

3a. **Technological Environment** is the component of the business environment highlighted in the above Para. Technological environment refers to the state of science and technology in the country and related aspects such as rate of technological progress, institutional arrangements for development and application of new technology, etc.

b. The two features of the business environment as discussed by Professor Mehta with Naman and Govind are as follows:

**(i) Complex:** A business environment has a plethora of factors, events, conditions, and influences arising from a variety of sources. Therefore, it is very difficult to understand all the factors affecting a given environment at any time.

**(ii) Dynamic:** Like the natural environment, a business environment also keeps changing constantly. This is due to a wide range of influencing factors. These factors create dynamism in the environment causing it to continuously change its shape and character.

c. The two points of importance of business environment as stated by Professor Mehta in the above situation are:

**(i) Enables to Identify Business Opportunities:** All changes are not negative. If they understood and evaluated them, they can be the reason for the success of a business. It is very necessary to identify a change and use it as a tool to solve the problems of the business or populous.

**(ii) Helps in Tapping Useful Resources:** Careful scanning of the Business Environment helps in tapping the useful resources required for the business. It helps the firm to track these resources and convert them into goods and services.

- i. Dynamic nature: 'fashion and taste of the consumers is changing at a fast pace.'
- ii. Uncertainty: 'It is very difficult for the company to predict future happenings.'
- iii. Complexity: 'it is difficult to know the extent of the relative impact of the social, economic, political, technological or legal factors on decrease in demand of its products in the market.'

b. Impact of government policy changes on business:

- i. Increasing competition: 'New competitors have entered the market with new designs.'
- ii. More demanding customers: 'Customers' demand is increasing.'
- iii. Market orientation: 'it was decided that they would study and analyse the market first to identify customer tastes and fashion and then manufacture garments accordingly. It was also decided to increase expenditure on advertising, aftersales services, etc.'

c. Business environment helps the manager in coping with rapid changes: The business environment is changing very rapidly, and the industry is getting affected by changing market conditions. Turbulent market environment, less brand loyalty, divisions of markets, changes in fashions, more demanding customers, and global competition are some examples of changing the business environment.

33. **FORMAL ORGANIZATION**: An organization type in which the job of each member is clearly defined, whose authority, responsibility and accountability are fixed is formal organization.

1. **Communication** - Official communication.
2. **Tenure** - Stable, it continues for a long time.
3. **Durability** - Formal organisation is formed to achieve organisational objectives. Hence, it is more durable.
4. **Leadership** - Managers are leaders.
5. **Interdependence** - It exists independently of informal organisation.
6. **Flow of authority** - Authority flows from top to bottom.

**INFORMAL ORGANIZATION**: An organization formed within the formal organization as a network of interpersonal relationship, when people interact with each other, is known as informal communication.

1. **Communication** - It makes more use of informal channels, which has no fixed path. Such communication (also known as grapevine), flows very fast but with great risk of rumours.
2. **Tenure** - It is unpredictable and its tenure may be short.
3. **Durability** - Informal organisation is formed to meet social needs of the members. Hence, it is not durable.
4. **Leadership** - Leaders may or may not be managers. They are chosen by the group.
5. **Interdependence** - It exists within the framework of formal organisation.

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.