

**CBSE Class 12 Business Studies**  
**Sample Paper 07 (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. How a business firm come to know that organisation is under-staffed or over-staffed?
  - a. Workforce analysis
  - b. Production Analysis
  - c. Salary Analysis
  - d. Sales Analysis
2. Advertisement is:
  - i. a tool of sales promotion
  - ii. an element of management
  - iii. an element of branding
  - iv. a technique of sales promotion
  - a. iv and i
  - b. only i
  - c. iii and iv
  - d. ii and iii
3. Which of the following is a financial incentive?
  - a. Job Security

- b. Stock Incentive
  - c. Employee Participation
  - d. Promotion
4. Determination of the economic policies is for the purpose of regulating \_\_\_\_\_.
- a. Economic environment
  - b. Social Environment
  - c. Legal Regulatory Environment
  - d. Political Environment
5. How is accountability created?
- a. By assigning responsibility
  - b. Both by assigning authority and by assigning responsibility
  - c. By assigning authority
  - d. By delegating.
6. Which of the following is a limitation of controlling?
- a. Controlling is expensive
  - b. Controlling is goal oriented
  - c. Controlling ensures order and discipline
  - d. Controlling improves employee motivation
7. Under Industrial Policy the role of \_\_\_\_\_ has been decided.
- a. public and private sector
  - b. private sector
  - c. public sector
  - d. government
8. \_\_\_\_\_ is an example of monetary incentive.
- a. Job
  - b. Bonus
  - c. Status
  - d. Job Security
9. \_\_\_\_\_ is an advantage of advertisement.
- a. Less Effective
  - b. Rigidity
  - c. Better Reach
  - d. Lack of Feedback

10. Match the Following and select the most appropriate option-

(i) Capital budgeting decision	(a) Allocation of funds to different projects/Assets
(ii) Financial management	(b) Proportion of debt and equity
(iii) Investment decision	(c) Optimal procurement and usage of finance
(iv) Financing decision	(d) Long term investment decision

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

11. Estimating Manpower Requirements include:

- a. Financial Expenses
- b. Training Expenses
- c. Selection Expenses
- d. Number and types of persons required

OR

Which one of the following is an internal source of recruitment?

- a. Gate hiring
- b. Media advertising
- c. Promotion
- d. Casual callers

12. What capital out of the following is better with reference to control?

- a. Preference Share Capital
- b. Working capital
- c. Equity Share Capital
- d. Debt Capital

13. **Read the following text and answer the questions:**

Work is Worship is a leading construction company. The organisation has grown from strength to strength because of its innovative ideas and scientific approach of working. Ten years back the organisation went through a revolution. All the operations and activities were properly noticed and the standard time taken to perform them was noted.



This took a few months and now the company could find out the amount of workers required and the number of days to be involved in the various manufacturing processes. A year later they moved to another level by considering the stress involved in the lives of the workers. The amount and frequency of rest intervals in finishing a particular task were noted. This helped the company in optimizing the rest intervals for the workers so that their outputs could be increased. After six more months the company decided to reward the efficient workers. A different rate of wage payment was decided for those workers who performed above the standard. The standard was decided. This led to a revolutionary change in the perspective of the workers who now started giving their full efforts in order to increase their wages.

- i. Which concept of management has been discussed in the above case?
  - a. Principles of scientific management
  - b. Techniques of Scientific Management
  - c. Principles of Management
  - d. Theories of management
- ii. All the operations and activities were properly noticed and the standard time taken to perform them was noted, which technique of scientific management has been discussed here?
  - a. Time study
  - b. Fatigue study
  - c. Motion study
  - d. Differential piece rate
- iii. The amount and frequency of rest intervals in finishing a particular task were noted, which technique of scientific management has been discussed here?
  - a. Time study
  - b. Fatigue study
  - c. Motion study
  - d. Differential piece rate
- iv. A different rate of wage payment was decided for those workers who performed above the standard, which technique of scientific management has been discussed here?
  - a. Time study
  - b. Fatigue study

- c. Motion study
- d. Differential piece rate

**14. Read the following text and answer the questions:**

Veeraj is working in a well-reputed company where he is a senior most employee in his division. He is one of the most dedicated, committed, capable and hard-working employees. Being senior and experienced, he generally received work according to his preference. One day, a problem developed when an intelligent person Jai, was appointed by the division manager, Riddhi. Jai's experience is mostly related to routine work which made it possible for him to catch and complete the work early. Many times, Riddhi noticed tension developing between Veeraj and Jai. But one day the tension reached a boiling point and Veeraj complained to Riddhi stating that his duties were largely taken over by Jai. Riddhi issued an order for clarifying the working relationship between them by specifying who will report to whom. This results in reducing workload and removing disputes.

- i. Which function of management coordinates human efforts, assembles resources and integrates both into a unified whole to be utilised for achieving specified objectives?
  - a. Directing
  - b. Staffing
  - c. Planning
  - d. Organising
- ii. State the step of the above-identified concept which has not been carried out properly?
  - a. Identification of work
  - b. Assignment of work
  - c. Fixing Accountability
  - d. Departmentalisation
- iii. Identify the step which has been taken by Riddhi to respond to the complaint of Veeraj?
  - a. Establishing reporting relationships
  - b. Departmentalisation
  - c. Assignment of duties
  - d. Division of work
- iv. "This results in reducing workloads and fewer disputes." Which importance of the



above-identified concept is highlighted here?

- a. Development of personnel
- b. Effective administration
- c. Helps in growth
- d. Specialisation

15. Rahunath works as a human resource manager in **Vanshika Housing Ltd.** a company engaged in the real estate business. He suggests to the Managing Director of the company to start a sports club in the office where friendly indoor matches can be organised amongst the employees on every Saturday.

In context of the above case:

- a. Identify the type of organisation that Rahunath is desirous of promoting in the company.
  - b. State any three advantages of the type of organisation as identified in part (a) of the question.
16. An organization follows the principles of management. What are the adverse effects of each of the following principles of management on the organization?
- i. Unity of Command
  - ii. Order
  - iii. Stability of tenure of personnel
17. Explain how controlling helps in
- i. Making efficient use of resources; and
  - ii. Improving employee's motivation

OR

Explain how 'management by exception' helps in the controlling process.

18. After completing his education in travel and tourism, Arjun started Travel Angels Pvt. Ltd. along with his twin brother Bheem. Their company seeks to provide travel solutions to its clients like ticket booking for airways, railways and road ways, hotel booking, insurance etc. Although the business is doing well both of them have realised that they are not good in managing finance, and feel confused and frustrated sometimes due to financial crises that may suddenly arise. In order to avoid such situations in the future, they hire Nakul and Sehdev as financial managers, who have done a degree certification course in financial management.

In the context of the above

- a. Give the meaning of financial management.
- b. Outline the role of Nakul and Sehdev as the financial management team of the Travel Angles Pvt. Ltd. by giving any four suitable points.

OR

What are the functions of a financial market?

19. Nikhil runs a small dhabba on the Jaipur highway. He is very rigid and follows a strict policy of punishment like cutting the salary, stopping increments or giving job termination threats to his workers for any kind of discrepancies in their work. He does not seek advice or opinions from his workers, as he does not have any confidence on the competence of his workers. Also, the workers are not willing to offer useful suggestions as they do not expect any motivation or incentive for taking such initiatives. As a result, the labour turnover is high and his business has been adversely affected.

In the above context:

- a. Name and explain the style of leadership adopted by Nikhil.
  - b. Identify the various human needs of workers that are being overlooked by Nikhil as per the Maslow's need hierarchy theory of motivation.
  - c. Identify the type of communication barrier created by Nikhil due to which the workers suppress their need to communicate with him.
20. Explain the working of a demat system?
21. Mr. Ajay Garg is an H.R. Manager of **Bharat Shoes Udyog**. He undertook a study with the sole purpose of minimising the cost of production and raising the quality of the products of his company. The findings of the study were put into practice immediately. The company succeeded in its purpose. It witnessed a rapid rise in demand for its products. It had its effect on the number of employees. The company felt the need for 30 more employees. In order to meet this need, Mr. Garg initiated the staffing process. So far, he has completed the first two steps of this process and is now at the final point of the third step.
- a. Identify the study undertaken to improve production.
  - b. Identify and describe the final point of the third step of the staffing process.
22. Explain any four factors which affect the fixation of price of a product. **Smart Stationery Ltd.** wants to raise funds of Rs 40,00,000 for its new project. The management is



considering the following mix of debt and equity to raise this amount:

Capital Structure	Alternatives I	Alternatives II	Alternatives III
	(Rs)	(Rs)	(Rs)
Equity	40,00,000	30,00,000	10,00,000
Debt	0	10,00,000	30,00,000

Other details are as follows :

Interest Rate on Debt 9%

Face Value of Equity Shares Rs 100 each

Tax Rate 30%

Earning Before Interest and Tax (EBIT) Rs 8,00,000

- Under which of the three alternatives will the company be able to take advantage of Trading on Equity?
- Does Earning Per Share always rise with increase in debt?

OR

Give the meaning of 'price' as an element of marketing affect the price determination of a product.

- Staffing is a continuous and pervasive function of management. Explain
- Mr. Soni, a consumer, purchased medicines without noticing the date of expiry. He also did not obtain the cash memo. Do you think, he will be able to protect himself by the loss caused due to expired medicines ? Give reasons in support of your answer.
- Miss Suruchi Sarohi is a senior manager in **Nirmal Soap Factory Pvt. Ltd.** She has got the administrative qualities of a good manager and all the qualities of a leader in her. She is running the whole business successfully.  
She divides the work among her workers on the basis of their respective capability and interest. Not only does she hand over the work to them, but it also gives them the authority to make decisions.  
She pays full attention to making them capable enough to participate in the realisation of the objectives of a business. In her company, people of several religions and castes are working. Even then she has succeeded in uniting them in a group.



She knows that the success of her company depends upon the level of production. This is the reason that Miss Sarohi is keeping a special watch over this department of hers. Actually, this is the department on the performance of which depends on the survival of a company in the market for a long time.

Identify and explain the characteristics of management described in the paragraphs above by quoting the relevant lines.

26. Well-being Ltd. is a company engaged in the production of organic foods. Presently, it sells its products through indirect channels of distribution. But, considering the sudden surge in the demand for organic products, the company is now inclined to start its online portal for direct marketing. The financial managers of the company are planning to use debt in order to take advantage of trading on equity. In order to finance its expansion plans, it is planning to raise a debt capital of Rs. 40 lakhs through a loan @ 10% from an industrial bank. The present capital base of the company comprises of Rs. 9 lakh equity shares of Rs. 10 each. The rate of tax is 30%.

In the context of the above case:

- What are the two conditions necessary for taking advantage of trading on equity?
- Assuming the expected rate of return on investment to be the same as it was for the current year i.e. 15 %, do you think the financial managers will be able to meet their goal. Show your workings clearly.

OR

Explain the term “Trading on Equity” Why, when and how it can be used by a company?

27. 'Agile Ltd.' is a well-known automobile manufacturing company in India. The company plans to increase the sale of its sedan cars by 20% in the next quarter. In order to achieve the desired target, the marketing team of the company considers the impact of the policy of the government towards diesel vehicles and the level of competition in this segment of cars. They explore the various available options like offering more discounts to dealers and customers, providing more customer-friendly finance options, lucky draws on test drives, increasing advertising, offering more free accessories on the purchase of the car, etc. A thorough analysis of the various available options is done keeping in view the relative viability of each option. The company decides to pursue the option of offering more discounts to dealers and customers in order to boost the sale of sedan cars. In order to implement the plan, they determine the various discount packages and communicate

the same to their product dealers. To make the prospective consumers aware of the newly available benefits, advertisements are made through various sources of print and electronic media. The market analysts of the company keep a close watch on the revenue from the sedan cars to study the effect of new initiatives by the company to promote its sales.

In the context of the above case:

- a. Name the function of management described in the above paragraph.
- b. Identify the various steps involved in the process the function of management as identified in part (a) by quoting lines from the paragraph.

28. What is the marketing concept? How does it help in the effective marketing of goods and services?

OR

How does branding help in creating product differentiation? Does it help in the marketing of goods and services? Explain.



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**Solution**

**Section A**

1. (a) Workforce analysis

**Explanation:** Workforce analysis means analysing existing employees already occupying the job positions and how many of them are overburdened or under-burdened.

2. (b) only i

**Explanation:** Advertising is a tool for sales promotion.

3. (b) Stock Incentive

**Explanation:** Under these incentive schemes, employees are offered company shares at a set price which is lower than the market price.

4. (a) Economic environment

**Explanation:** Economic environment can be done by creating economic policies.

5. (c) By assigning authority

**Explanation:** By assigning authority accountability is created.

6. (a) Controlling is expensive

**Explanation:** The process of controlling starts from planning and ends with taking corrective steps in the direction of deviations identified. But, the process is expensive in terms of time spent and the expenditure incurred on the technology used or technique adopted.

7. (a) public and private sector

**Explanation:** Under Industrial Policy the role of Public Sector and Private Sector has been decided.

8. (b) Bonus

**Explanation:** Bonus is a financial or monetary incentive. Status, Job and Job security are non-financial incentives.

9. (c) Better Reach

**Explanation:** Better Reach is an advantage of advertising. Advertising is a medium through which a large number of people can be reached over a vast geographical area.

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

**Explanation:** Capital budgeting takes care of long term investment decisions.

Financial management deals in optimal procurement and source of finance.

Financing decision relates to Proportion of debt and equity.

Investment decision takes care of the allocation of funds in different projects/assets.

11. (d) Number and types of persons required

**Explanation:** Estimating manpower requirement means to find out the number and type of employees. Type here means qualification and educational background of people to be recruited.

OR

(c) Promotion

**Explanation:** Promotion

12. (d) Debt Capital

**Explanation:** Debt Capital normally does not cause dilution of control and is preferred over equity.

13. i. (b) Techniques of Scientific Management

ii. (a) Time study

iii. (b) Fatigue study

iv. (d) Differential piece rate

14. i. (d) Organising

ii. (b) Assignment of duties

iii. (a) Establishing reporting relationships.

iv. (b) Effective administration

15. i. Informal organisation is the type of organisation that Rahunath is desirous of promoting in the company. The informal organisation may be defined as “a network of personal and social relationships that arise spontaneously as people associate with one another in a work environment. It is composed of all the informal groupings of people within a formal organisation.” Over time there are changes of memberships in most informal organisations. There is interdependence among the members because each one needs the other’s company. People from such informal groups because they do benefit from such memberships in one way or another. On the contrary, the informal organisation throws a challenge for a manager because it consists of actual operating relationships not prescribed by the formal organisation.



- ii. The three advantages of informal organisation are stated below:
  - a. Informal organizations have several benefits. Firstly, they inculcate a sense of unity and togetherness among their members.
  - b. This happens because of the social interactions they indulge in with each other. This consequently leads to work satisfaction and stability in the organization.
  - c. Furthermore, a robust informal organization can be an effective means of swift communication. Both employees and well as managers can use this.
- 16. Adverse effects of said principles are:
  - i. **Unity of Command:** If this principle is followed, work gets delayed which results in wastage of time and cost. It also invokes a sense of dictatorship in the superior.
  - ii. **Order:** It creates boredom among the employees due to rigidity provided by this principle. At times, it delays the work process and makes the whole process tedious
  - iii. **Stability of personnel:** If employees are not rotated on different jobs frequently, they can specialize only in a small part of the whole process of production and thus can never become versatile. Fresh and more efficient talent, at times, seems to be lost.
- 17. i. **Making efficient use of resources:** Controlling checks the working of employees at each and every stage of operations. Hence, it ensures effective and efficient use of all resources in an organisation with minimum wastage or spoilage.
- ii. **Improving employees motivation:** Employees know the standards against which their performance will be judged.

OR

Management by exception, when applied to business is a style of management that gives employees the responsibility to take decisions and to fulfill their work or projects by themselves. It consists of focus and analysis of statistically relevant anomalies in the data. If an unusual situation or deviation in the recorded data appears, which could cause difficulties for the business and can't be managed by the employee at his level, the employee should pass the decision on to the next higher level.

- 18. a. Finance is the lifeline of any business. However, finances, like most other resources, are always limited. On the other hand, wants are always unlimited. Therefore, it is important for a business to manage its finances efficiently. As an introduction to financial management, in this article, we will look at the nature, scope, and significance of financial management, along with financial decisions and planning.

Financial Management is concerned with optimal procurement as well as usage of finance.

- b. Nakul and Sehdev will play a very important role as the financial management team of the Travel Angels Pvt. Ltd. in managing the financial health of the company:
- i. To determine the capital requirements of business both long-term and short-term.
  - ii. To determine the capital structure of the company and determine the sources from where required capital will be raised keeping in view the risk and return matrix.
  - iii. To ensure efficient management of cash in order to ensure both liquidity and profitability.
  - iv. To exercise overall financial control in order to promote safety, profitability, and conservation of funds.

OR

Main functions of financial market are:

- i. Providing Liquidity to Financial Assets.
  - ii. Mobilisation of Savings and channelling them into the most Productive Uses
  - iii. Facilitating Price Discovery
  - iv. Financial markets reduce transaction costs and information costs.
19. a. The autocratic style of leadership has been adopted by Nikhil.
- b. The various human needs of the workers that are being overlooked by Nikhil as per the Maslow's need hierarchy theory of motivation are listed below:
- i. Basic Physiological Needs
  - ii. Safety/Security Needs
- c. Personal barriers have been created by Nikhil due to which the workers suppress their need to communicate with him freely.
- i. Lack of confidence of superior on his subordinates
  - ii. Lack of proper incentives
20. The working of a demat system is as below:
- When you buy shares, the broker credits your demat account with the shares and these are reflected in your statement of holdings. If you are trading through an internet based platform, you can view your holdings online. Typically the broker credits the shares on T+2, that is trading day + 2 days after that. When you sell the shares, you need to give



your broker a delivery instruction note, where in you fill the various details of the stock sold. Your account is debited with the shares and you are then paid the money for the shares sold. If you are trading through the internet, the account will automatically reflect a debit of the shares and amount credit to your account. There are two Depositories in India – the National Securities Depositories Limited (NSDL) and the Central Depository Services Limited (CDSL), through whom the shares are held by the various depository participants.

21. a. Method Study

b. Name of the third step of staffing is “Selection”.

Final point of selection is “Contract of Employment.”

**Contract of Employment:** After the acceptance of the job offer by a selected candidate, he becomes an employee of the organisation. In this step, the appointee signs various documents. The main document among them is the attestation form. In this document detailed description of the employee is provided which he himself attests. It can be used at the time of need in future.

22. i. Trading on equity acts as a lever to magnify the influence of fluctuations in earnings. Any fluctuation in earnings before interest and taxes (EBIT) is magnified on the earnings per share (EPS) by operation of trading on equity larger the magnitude of debt in capital structure, the higher is the variation in EPS given any variation in EBIT.
- ii. EPS is used in fundamental analysis to determine a company's profitability. EPS is calculated by subtracting dividends paid out to shareholders from a company's net income. The resulting value is divided by the company's average outstanding shares.

OR

Price may be defined as the amount of money paid by a buyer in consideration of the purchase of a product or a service. Price covers the overall cost and profit of shopkeeper. Pricing involves the determination of the price of the product. Pricing plays an important role in the marketing of goods and services. It is often used as a regulatory of product's demand. Pricing also affects the revenue and profits of a firm. Success and failure of a product totally depend on this.

The four factors which affect the price determination of a product are as follows

- i. **The objective** of pricing Firms may include profit maximization, obtaining market



share leadership, surviving in a competitive market and attaining product quality leadership. As if the firm wants to maximize its profit in the short run than it will charge a maximum price for its product.

- ii. **Cost:** Price charged must enable the businessman to cover his cost including a reasonable margin of profit. Cost means both fixed and fluctuating cost must be covered by the price in long run.
  - iii. **Competition:** It is necessary to take into consideration the prices of the products of the competing firms prior to fixing the price. Competitors' price and their anticipated reaction must be considered before fixing the price of the product. In the case of cut-throat competition, it is desirable to keep the price low.
  - iv. **Demand for product:** Intensive study of demand for products and services in the market should be undertaken before price fixation. If demand is relatively more than supply, a higher price can be fixed. As we all know that the price of a product is totally affected by the elasticity of demand of the product.
23. The staffing function of management is not necessarily performed at the beginning of a new enterprise. This is a continuous function and is performed even in going concerns. Hiring of personnel, their training and development have to be arranged at regular intervals. Thus, staffing is of a continuous nature.
- Another feature of staffing is that it is also a pervasive function of management like other functions of management. Though it is the tendency in modern enterprises to create a separate department to perform the staffing function, it does not mean that the line managers do not have the responsibility for staffing. The personnel department is created only to provide the necessary help to the managers in performing the staffing.
24. Mr. Soni purchased medicines without noticing the date of expiry. Thus, Mr. Soni was not a cautious and careful consumer. Further, Mr. Soni did not obtain the cash memo. Cash memo is legal proof of purchase. In the absence of a cash memo, it would be impossible for Mr. Soni to make any complaint and to protect himself. Under the provisions of the Consumer Protection Act, one of the responsibilities of a consumer is to seek a cash memo from the seller of goods and services.
25. In the above paragraphs, the characteristic of management described is that 'management is multi-dimensional.' In this discussion, the following dimensions of management have been touched
- i. "Not only does she hand over.....take decisions."



**Management of work:** Every organisation is established to do some special work. To accomplish this work fully several activities are performed. The manager ensures success in the performance of these activities.

- ii. “She pays full attention to .....uniting them in a group.”

**Management of people:** The job of running every organisation is done by people. The manager puts in efforts to increase their strengths and eliminate their weaknesses.

- iii. “She knows that the success.....department of hers.”

**Management of operations:** In every organisation, there is definitely some of the other production activity. The manager exploits all the necessary resources to do this activity successfully.

26. Trading on equity occurs when a company incurs new debt (such as from bonds, loans, or preferred stock) to acquire assets on which it can earn a return greater than the interest cost of the debt. If a company generates a profit through this financing technique, its shareholders earn a greater return on their investments. In this case, trading on equity is successful. If the company earns less from the acquired assets than the cost of the debt, its shareholders earn a reduced return because of this activity. Many companies use trading on equity rather than acquiring more equity capital, in an attempt to improve their earnings per share.

- a. The two conditions necessary for taking advantage of trading on equity are :
- The rate of return on investment should be more than the rate of interest.
  - The amount of interest paid should be tax deductible.

b.

Sources	Situation 1 Amount (in Rs)	Situation 2 Amount (in Rs)
Equity shares	90,00,000	90,00,000
10 % Debentures	NIL	40,00,000
Total Capital	90,00,000	1,30,00,000
EBIT	13,50,000	19,50,000
Less: Interest	–	- (4,00,000)

EBT	13,50,000	15,50,000
Less: Tax @ 30%	- (4,05,000)	- (4,65,000)
EAT	9,45,000	10,85,000
No. of shares of Rs. 10 each	9,00,000	9,00,000
EPS	$9,45,000/9,00,000 = 1.05$	$10,85,000/9,00,000 = 1.21$

Yes, the financial managers will be able to meet their goal as the projected EPS, with the issue of debt, is higher than the present EPS.

OR

‘Trading on Equity’ means additional profits earned by the equity shareholders because of a high degree of financial leverage, i.e. funds raised by the firm by issuing more debt. It is a situation where a firm is using more debt along with equity shares to increase the ‘Earning Per Share (EPS)’. Under this situation, the main purpose of a company is to employ cheaper debt to enhance the earning per share (EPS).

Example: A company XYZ Limited requires an investment of Rs.40,00,000 to earn EBIT (Earnings before interest and tax) of Rs.50,00,000. In order to raise Rs. 40,00,000, there are two proposals:

Particulars	Proposal 1( issue of 40,000 shares of 100 each)	Proposal 2( 10% debentures of 22,00,000 and 18000 shares of 100 each)
Earnings before interest and tax	50,00,000	50,00,000
Less interest on debentures	-	(2,20,000)
Earning before tax	50,00,000	4780000
Less tax rate@30%	(15,00,000)	(1434000)



(assumed)		
Earning after Tax	35,00,000	3346000
Earning per share	87.5	185.88

Thus, the proposal -1 shows that earning per share is Rs.87.5 when the company is issuing equity shares only. Proposal - 2 shows earning per share Rs.185.88 when company is using debt of Rs.22,00,000 and equity of Rs.18,00,000.

27. a. **Planning** is the function of management which is being described in the above paragraph.
- b. The various steps involved in the planning process and the quoted lines from the given paragraph are described below:
  - i. **Setting objectives:** "The company plans to increase the sale of its sedan cars by 20% in next quarter."
  - ii. **Developing Premises:** "In order to achieve the desired target the marketing team of the company considers the impact of the policy of the government towards diesel vehicles and level of competition in this segment of cars."
  - iii. **Identifying alternative courses of action :** "They explore the various available options like offering more discount to dealers and customers, providing more customer-friendly finance options, lucky draws on test drives, increasing advertising, offering more of free accessories on the purchase of the car, etc."
  - iv. **Evaluating alternative courses:** "A thorough analysis of the various available options is done keeping in view the relative viability of each option."
  - v. **Selecting an alternative:** "The company decides to pursue the option of offering more discount to dealers and customers in order to boost the sale of sedan cars."
  - vi. **Implement the plan:** "In order to implement the plan, they determine the various discount packages and communicate the same to their product dealers. To make the prospective consumers aware of the newly available benefits, advertisements are made through various sources of print and electronic media."
  - vii. **Follow up action:** "The market analysts of the company keep a close watch on the revenue from the sedan cars to study the effect of new initiatives by the company

to promote its sales."

28. The marketing concept of marketing management lays emphasis on customer satisfaction. It believes that customer satisfaction plays a vital role in the success of any organization. In the long run, any organization can survive and maximize profits only if it identifies customer needs and effectively works towards fulfilling them. This concept identifies the fact that people purchase a product for satisfaction of a specific need (such as functional need, social need, psychological need, etc.). Any organization must aim towards identifying such needs and satisfy them in an effective manner. In other words, all the decisions in the firm are taken from the point of view of the customers. An organization works and sells not according to what it has, but according to what the customer wants. The marketing concept is based on the following points.
- i. The efforts of all marketing activities must be directed towards a particular segment of the market or group of customers.
  - ii. The organizations must clearly identify the needs and requirements of the target customer.
  - iii. It should develop such products and services that satisfy the needs of the customers.
  - iv. It should not just independently work towards customer satisfaction, but should also aim at satisfying the customers better than its competitors.
  - v. The crux of all efforts of marketing is profit.

The marketing concept helps in the effective marketing of goods and services. It helps in the identification of the market and target customers. If all marketing activities are directed towards customer satisfaction, marketing of goods and services would take place in an effective and smooth manner. It helps in satisfying the needs of the target market better than competitors by keeping the profit margin as well. If decisions of production, pricing, designing, etc. are based on the needs of the customers, selling would not be a problem. For example, if customers want dual sim mobile phones, high pixel camera, GPS, etc. the company produces mobile phones with such features. Similarly, other decisions of the company such as pricing, branding, etc. are also based on the requirements of the customers.

OR

Branding means creating a unique name or image for a product in the consumer's mind. It aims at establishing a significant and differentiates presence in the market.



According to American Association "A brand is a name, term, symbol or design or combination of all which is intended to identify the goods or service of a seller or group of sellers and to differentiate them from those of competitors.

Branding helps in marketing in the following manner-

- i. **Promotion:** Promotion is an important "P" of marketing. Branding helps the organisation in promoting the product by disseminating the information about features, price, style and advantages of the product.
- ii. **Legal protection:** A brand name provides legal protection to the special feature of the product. Inclusion of brand name helps the goods to be totally protected.
- iii. **Saves from the competition:** A business organisation can easily advertise and promote branded goods. They can attract consumers towards their products. Branding helps business organisations from the competition.
- iv. **Builds corporate image:** Branding helps in building a corporate image. Strong brands are the brands that are known for their quality, performance and standards and they help in building a corporate image which provides a long term advantage to the business.
- v. **Differential pricing:** Good branding helps in creating a loyal customer and the seller can charge different price from their competitors for his product.
- vi. **New product introduction:** Branding makes it easy for a company to introduce a new product, it will not take a lot of marketing efforts.