

**CBSE Class 12 Business Studies**  
**Sample Paper 10 (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. Introducing employees to the organisation is called \_\_\_\_\_.
  - a. Training
  - b. Placement
  - c. Selection
  - d. Orientation
2. The most important element of \_\_\_\_\_ is face of face interaction.
  - a. personal selling
  - b. advertising
  - c. sales promotion
  - d. public relations
3. Which of the following is the appropriate order of hierarchy of needs according to Abraham Maslow?
  - i. Safety Needs → Psychological needs → Affiliation needs → Esteem Needs → Self Actualisation needs
  - ii. Psychological needs → Safety Needs → Affiliation needs → Esteem Needs → Self Actualisation needs

- iii. Affiliation needs → Safety Needs → Psychological needs → Esteem Needs → Self Actualisation needs
  - iv. Psychological needs → Safety Needs → Esteem Needs → Affiliation needs → Self Actualisation needs
- a. only iii
  - b. only iv
  - c. only i
  - d. only ii
4. Which factor is not included in Macro Environment?
- a. Economic Environment
  - b. Competitors
  - c. Social Environment
  - d. Political Environment
5. Which of the following does not follow the scalar chain?
- a. Informal Organisation
  - b. Formal organisation
  - c. Divisional structure
  - d. Functional structure
6. Which one of the following is not the importance of controlling?
- i. Judging accuracy of standard
  - ii. Facilitates coordination in action
  - iii. Ensuring order and discipline
  - iv. Clarity in a working relationship
- a. iii and iv
  - b. ii and iii
  - c. only iv
  - d. only i
7. Which one is a specific force for a garment manufacturing industry?
- a. Change in technology
  - b. Change in law
  - c. Change in fashion
  - d. Change in government
8. Which of the following are principles of Directing?

- a. Unity of Command
  - b. Harmony of Objectives
  - c. All of these
  - d. Follow Through
9. Which of the following is the purpose of advertising?
- a. Educating the customers
  - b. Facilitating small scale production only
  - c. Discouraging the salesman
  - d. Discouraging the sale of product
10. EBIT refers to:
- a. Earnings Before Income and Tax
  - b. Earning Before Installment and Tax
  - c. Earning Before Interest and Tax
  - d. Earning Before Investment and Tax
11. Vinod is working as plant supervisor in Cargo Ltd. Noida. His place of work was changed to gurugram without any change in his position in the hierarchy, Identify the concept.
- a. Promotion
  - b. Transfer
  - c. Training
  - d. Lay off

OR

\_\_\_\_\_ is the method of recruitment in which the companies recruit candidates directly from educational or technical institutions.

- a. Campus recruitment
  - b. Recommendations
  - c. Media advertising
  - d. Direct recruitment
12. Which of the following company will have more working capital?
- a. Nanyonika Ltd. manufacturing furniture against orders only.
  - b. Meenakshi Ltd. manufacturing iron and steel.
  - c. Mini Ltd. following manufacturing iron and steel.
  - d. Gaurav Ltd. having high turnover of inventory.

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

Radha opens a jewellery showroom in Jaipur after completing a course in jewellery designing. She has employed eleven persons in her showroom. For greater productivity, she divides the work into small tasks and each employee is trained to perform his/her specialised job. The salespersons are allowed to close a deal with a buyer by giving a maximum of 10% discount, whereas the decision to give any further discount rests with Radha as the final authority. In the earlier days of starting of the business, five of her employees were asked to put in extra hours of work. In return, she had promised to give them a special incentive within a year. Therefore, after six months when the business was doing well, she awarded a cash bonus to each of these employees to honour her commitment. However, when it comes to settling the conflicts among her employees, she tends to be more biased towards her female employees.

In the context of the above case, answer the following questions:

- i. "For greater productivity, she divides the work into small tasks and each employee is trained to perform his/her specialised job." Identify the principle of management that are being applied by Radha here?
  - a. Division of work
  - b. Espite de Copse
  - c. Remuneration
  - d. Order
- ii. "The salespersons are allowed to close a deal with a buyer by giving a maximum of 10% discount, whereas the decision to give any further discount rests with Radha as the final authority." Identify the principle of management that is being applied by Radha here?
  - a. Division of work
  - b. Centralization and decentralization
  - c. Remuneration
  - d. Order
- iii. "Therefore, after six months when the business was doing well, she awarded a cash bonus to each of these employees to honour her commitment." Identify the principle of management that is being applied by Radha here?
  - a. Division of work
  - b. Discipline

- c. Remuneration
- d. Order
- iv. "However, when it comes to settling the conflicts among her employees, she tends to be more biased towards her female employees." Identify the principle of management that are being violated by Radha here?
  - a. Division of work
  - b. Discipline
  - c. Remuneration
  - d. Equity

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

Prakash Ltd. is a progressive company which has achieved new records in the field of electronic products. This was with the help of proper delegation enabled the existence of proper workforce to take up leading positions in several challenging projects. Because of proper delegation they have been able to properly define the relationships between superior and the subordinates at different levels leading the company of a strong management structure. Also due to delegation there was no overlapping of duties and duplication of efforts as there is clarity of working relationships. The company has set an example of being successful for other organisations in the industry. As it is well organised, the productivity of the company has improved. Specific jobs are done by specific employees resulting in increase of efficiencies at per person level. Now the company is planning to start working at international level. But there the environment and working conditions would be different. For this, a meeting was held by the top management. It was decided that the company will go for a major change in its policy i.e. they will involve the supervisory level of management in decision making as the size of the company is growing so it will require more participation from the employees.

- i. "It was with the help of proper delegation enabled the existence of a proper workforce to take up leading positions in several challenging projects." Identify the importance of delegation which is reflected through the statement?
  - a. Basis of management hierarchy
  - b. Facilitation of growth
  - c. Better coordination
  - d. Employee development
- ii. "Specific jobs are done by specific employees resulting in an increase of efficiencies at

the per-person level." Which importance of organising the function of management is highlighted in this line?

- a. Adaptation to change
- b. Expansion and growth
- c. Development of personnel
- d. Benefits of specialisation

iii. \_\_\_\_\_ involves systematic delegation of authority in all departments and at all levels of management to take decisions and actions appropriate at respective levels.

- a. Decentralisation
- b. Accountability
- c. Responsibility
- d. Departmentalisation

iv. Which type of organisational structure is suitable for a high degree of specialization?

- a. Divisional
- b. Delegation
- c. Functional
- d. Decentralisation

15. **Fresh Foods Ltd.** is a well-known company making different food materials. Mr.

Himanshu is the managing director of the company. He is fully attached to the employees of his company. This is the prime reason that before taking any decision he consults all the concerned employees. A suggestion box has also been provided in the company. It is opened once in ten days. The employees giving positive suggestions are suitably rewarded. Besides this, all the employees of the company also enjoy complete freedom to communicate with any senior officer any time, for all types of matter whether it is job-related or personal.

- a. Identify the type of organisation highlighted in the above case.
- b. State its any two advantages.

16. Explain 'order' and 'initiative' as principles of general management.

17. If anything goes wrong with the performance of key activities, the entire organization suffers. Therefore, the organization should focus on them. Explain the statement with a suitable example.

OR

Define the concept of **Management by Exception**.

18. State any three points of importance of financial planning.

OR

State the objective of NSE?

19. Neeraj has been working as a sewing machine operator in an export house for the past ten years. His basic work is to seam the parts of a garment together and attach buttons, hooks, zippers, and accessories to produce clothing. Considering the fact that Neeraj is an experienced operator, he is well versed with the fundamentals of industrial production and possesses good communication skills. The plant superintendent in the factory recommends Neeraj's name to the production manager for the post of supervisor which will fall vacant after a month on the retirement of the present supervisor. Consequently, Neeraj is assigned the post of supervisor and his salary is increased accordingly. Moreover, as per the policy of the export house, he is offered free medical aid and education to his two children.

In the context of the above case:

- Identify the type of source of recruitment used by the export house to fill up the post of supervisor. Give any two advantages of using this source.
  - Identify the types of financial incentives offered to Neeraj by quoting lines from the paragraph.
20. State any one 'Protective Function' of Securities and Exchange Board of India (SEBI).
21. Blue Heavens Ltd. purchased new machinery from Germany for manufacturing some auto components. It was a cost-effective and quality production machine but during the production process, the manager observed that the quality of the production was not as per standards. On investigation, it was found that there was a lack of knowledge of using these hi-tech machines. So, frequent visits by engineers were required from Germany but this resulted in high overhead charges.
- Suggest what can be done to develop the skills and abilities of employees for producing quality products by using these hi-tech machines. Also, state how the employees or the organization will be benefited by your suggestion.
22. 'Though advertising is one of the most frequently used media of promotion of goods and services, yet it attracts a lot of objections.' Explain any four such objections.

OR

“Bending the customer according to the product” and developing the product according to customer needs are two important concepts of marketing management. Identify the concepts and differentiate between the two.

23. “The present day human resource management is a broader concept.” Explain.
24. State how Self Regulation by Business and Business Association act as the ways of achieving the objectives of consumer protection.
25. Management of Parco Ltd. emphasises only on economic objectives. Identify and explain the objectives which are being ignored. State any two values which are being communicated to the society while fulfilling these objectives.
26. You are the Finance Manager of a newly established manufacturing company. Explain any six factors that you will consider while determining the fixed capital requirements of the company.

OR

Explain briefly any four factors that affect the working capital requirements of a company.

27. 'Mrs Renu Natrajan', the Principal of Prince Public School' appointed Mr Sansar Chand as the coach for football team which was to play the final match in the State-Level Tournament. During training the coach inspired the players to make up their mind to win the match in all circumstances. Also he stressed that they had to win the match with the difference of at least five goals from the losing team. He explained special methods to the players for playing both offensive and defensive game. Also he told them how after beating the opponents, football would be passed from one player to the other until it reached the goal box of the opposite team. At the end of the training, the coach warned all the players against misbehaving with any of the players of the opposite team, otherwise, they could be punished.
  - a. Identify the concept of the planning functions of management described in the paragraph given above.
  - b. Explain the four types of concept identified in point 6a ' by quoting the relevant lines.
28. Price of a product is influenced by many factors. Explain any four such factors.

OR

Below schemes were offered by different companies to promote sale of TV. Identify the sales promotion activity highlighted in each case.

1. LG announced ₹3,000 off on MRP.
2. Videocon launched a scheme of 12 equal monthly installments without any interest charges,
3. LG announced ₹3,000 off on MRP.
4. Samsung offered a free i-pod with every LED TV.
5. Sony waived off 20% of the TV price,
6. Panasonic offered a holiday package worth ₹5,000 free with every LCD TV.
7. General introduced a scheme of 'scratch a card' to win instant gifts on purchase of AC.

**CBSE Class 12 Business Studies**  
**Sample Paper 10 (2020-21)**

**Solution**

**Section A**

1. (d) Orientation  
**Explanation:** Orientation means introduction to organisation
2. (a) personal selling  
**Explanation:** personal selling
3. (d) only ii  
**Explanation:** Psychological needs → Safety Needs → Affiliation needs → Esteem Needs → Self Actualisation needs.  
This is a correct sequence as per Maslow's Need Hierarchy Theory of Motivation.
4. (b) Competitors  
**Explanation:** Competitors do not form the part of macro environment.
5. (a) Informal Organisation  
**Explanation:** Under Informal organisational structure, there is no fixed path of passing information among employees. Information can pass from any side to any side. The principle of the scalar chain is violated here.
6. (c) only iv  
**Explanation:** The clarity in a working relationship is a part of Organising, not Controlling.
7. (c) Change in fashion  
**Explanation:** Change in fashion is a specific force for a garment manufacturing industry.
8. (c) All of these  
**Explanation:** Harmony of objectives, unity of command and follow-through are all principles of Directing.
9. (a) Educating the customers  
**Explanation:** Educating the customers
10. (c) Earning Before Interest and Tax  
**Explanation:** EBIT means Earning Before Interest and Tax.
11. (b) Transfer

**Explanation:** Transfer is only change of place of same company

OR

(a) Campus recruitment

**Explanation:** Campus recruitment

12. (b) Meenakshi Ltd. manufacturing iron and steel.

**Explanation:** Meenakshi Ltd. manufacturing iron and steel.

13. i. (a) Division of work

ii. (b) Centralization and decentralization

iii. (b) Discipline

iv. (d) Equity

14. i. (b) Facilitation of growth

ii. (d) Benefits of specialisation

iii. (a) Decentralisation

iv. (c) Functional

15. a. Informal Organisation.

b. Advantages of Informal Organisation:

i. **Faster Spread of Information:** In informal organisation prescribed lines of communication are not followed. Thus, the informal organisation leads to a faster spread of communication as well as quick feedback.

ii. **Fulfils Social Needs:** Informal organisation helps to fulfil the social needs of the members. This enhances job satisfaction since it gives them a sense of belongingness.

16. **Order** According to Fayol. 'People and material must be in a suitable place at the appropriate time for maximum efficiency' This principle states that there should be a place for everything and everyone in an organisation and that thing or person should be found at its allotted place This will lead to increased productivity and efficiency. It is so because of the minimal wastage of time in searching for the required material. Order, too, improves the overall functioning of an organization.

**Initiative** According to Fayol. 'Initiative means taking the first step with self-motivation. it is thinking out and executing the plan' It is one of the traits of an intelligent person. The initiative should be encouraged because employees get satisfaction when they are allowed to take initiative. But it does not mean going against the established practices of

the company for the sake of being different. In order to beat the best in the business, there is always a requirement to think 'out of the box' and the superior should motivate the subordinates to take initiative as and when required.

17. The given statement refers to the importance of 'Critical Point Control' in order to ensure effective performance of key activities in an organization.

**Critical Point Control:** According to this principle, control should focus on Key Result Areas (KRAs), which are critical to the success of the organisation. When anything goes wrong in these areas, the entire organisation suffers, e.g. a 5% -increase in labour cost is much more harmful than a 20% increase in postal charges.

OR

Management by exception means a system under which manager attends only to problems that need his attention and action and thus avoids dealing with those that may be handled by his subordinates. Management by exception is widely used.

18. **Financial planning** helps you determine your short and long-term **financial** goals and create a balanced **plan** to meet those goals.

**Its importance can be highlighted from the following factors:**

- i. Adequate funds have to be ensured.
- ii. Financial Planning helps in ensuring a reasonable balance between outflow and inflow of funds so that stability is maintained.
- iii. Financial Planning ensures that the suppliers of funds are easily investing in companies which exercise financial planning.

OR

The objectives of NSE are-

- i. To ensure that the investors using an electronic trading system can have a fair, transparent and efficient securities market.
  - ii. To establish a broad trading facility for both equities and debt instruments.
  - iii. To ensure access to investors from every nook and corner of the country through an appropriate communication network.
  - iv. To improve the standard of the securities market.
19. a. The internal source of recruitment has been used by the export house to fill up the

post of the supervisor through promotion. The two advantages of using an internal source of recruitment are stated below:

- i. Employees are motivated to improve their performance
  - ii. Internal recruitment simplifies the process of selection and placement:
- b. The types of financial incentives offered to Neeraj are as follows:
- i. Pay and allowances: This fact is evident by the following line: "his salary is increased accordingly."
  - ii. Perquisites: This fact is evident by the following line: "as per the policy of the export house, he is offered free medical aid and education to his two children."

20. **It Checks Price Rigging:** Price rigging refers to manipulating the prices of securities with the main objective of inflating or depressing the market price of securities. SEBI prohibits such practice because this can defraud and cheat the investors.

21. Training should be provided to the employees to develop their skills and abilities for producing quality products by using these hi-tech machines.

The benefits of imparting training to the employee are as follows:

- a. **Better career:** Training leads to better career opportunities for the employees as it helps to improve their skills and knowledge of doing the job.
- b. **Increased earnings:** Training leads to increased performance by the employees thereby helping them to earn more.
- c. **Increased efficiency:** Training makes employees more efficient in handling machines and less prone to accidents.
- d. **Improved motivation:** Training increases the satisfaction and morale of employees thereby motivating them to work with greater enthusiasm.

22. Objections to advertising are as follows

- i. **Undermines social values:** The advertisements inform people about more and more products to attract customers. This induces the customers to buy more and more products and sometimes customers compel to use those commodities which they do not require. In this way, our wants are unnecessarily increased. If wants remain unsatisfied, we feel discontented. The desire to have more and more things is multiplying and lifestyle is badly affected. Some advertisements show new lifestyles, which cannot be socially approved.
- ii. **Encourage sale of Inferior goods:** Advertisement generally speaks very high of the products. With the help of advertising, anything can be sold in the market. Sometimes

products advertised are defective and adulterated. In this way, consumers are misled and suffer losses with the use of commodities instead of benefits.

- iii. **Adds to cost:** Advertising adds to the cost of the product and the price of the commodity unnecessarily increases because the firms spend a huge amount on advertising and these expenses are added to the cost. The consumers pay for advertised commodity more than what they would have paid for the same unadvertised commodity.
- iv. **Confuses the buyer:** There are so many advertisements for certain products such as TV, detergents, etc. if we take a TV, there are different companies advertising for that such as Sony, LG, Samsung, Micromax etc. The claims made by different companies confuses the consumer as which products should be purchased and which is better.

OR

Bending the customer as per the product refers to Selling while developing the product as per the needs of the customer refers to Marketing, which is a wider term including selling in it. Following are the differences between the two:

Basis	Marketing	Selling
Scope	Scope of marketing is wider and includes selling also. It covers all activities concerned with identifying and satisfying the wants of the customers.	Selling is only a part of the process of marketing. It's scope is just limited to increase the volume of sales.
Focus	The main focus of marketing is on maximising satisfaction of the cusomter's needs and wants.	The main focus of selling is on transfer of title and possession of goods from seller to buyer.
Objective	Marketing is concerned with earning profits through customer satisfaction.	Selling is concerned with maximise profits through increase in sales volume.
Start and End	Marketing begins before manufacturing of a product and continue even after the product is produced and sold.	Selling begins after the product has been developed and ends with the sale of the

		product.
<b>Emphasis</b>	Marketing is concerned with developing the products and services as per customers needs and wants.	Selling emphasize on bending the customer according to the product.
<b>Strategy</b>	Marketing involves promotion, pricing and physical distribution of the product.	Selling is concerned with the promotion and sale of product to increase the profit.

23. The present day human resource management includes the following activities:
- Recruitment: The primary function of human resource is to find out the number of employees required by the organisation.
  - Providing expert service: It renders expert services which require special knowledge, eg., job evaluation, performance appraisal, and negotiating with trade unions.
  - Developing compensation and incentive plans.
  - Handling grievances and complaints and establish cordial relations between the employer and the employees.
  - Provide social security and welfare of employees.
24. i. **Self-regulation by Business:** In today's scenario, where there is stiff competition in the business world, only the best can survive. Therefore, the need of the hour is to make the customers loyal which is only possible when the sellers would be able to win their customers. In this way the self regulation by business, the sellers along with focusing on the maximization of profits, must also ensure the satisfaction of the customers and must not indulge in such practices which could affect the consumers adversely and ultimately force them to part away with the seller.
- ii. **Business associations** The associations of trade, commerce and business like Associated Chambers of Commerce (ASSOCHAM), Federation of Indian Chambers of Commerce of India (FICCI) and Confederation of Indian Industries (CII) have laid down certain code of conduct, which lay down for their members the guidelines regarding dealings with the customers
25. **Following are the objectives which are being ignored by Parco Ltd:**
- Social objectives-** Social objectives refer to the interests and expectations of the society such as rural development, an opening school for the children of employees. Following are the social objectives:

- i. Concern for the environment.
- ii. Development of backward regions.
- iii. Providing employment opportunities to weaker sections of society.
- b. **Personal objectives-** Personal objectives refer to the aspirations and expectations of the people which make up the organisation. Following are the personal objectives:
  - i. Competitive salaries and perks.
  - ii. Recognition.
  - iii. Opportunities for personal growth.

**Following are the values which are being communicated to the society:**

- i. Concern for protection of environment.
  - ii. Fair wages to employees.
  - iii. Opportunities for the personal growth of employees.
  - iv. Providing employment opportunities to weaker sections of society.
26. The Finance Manager of a manufacturing company considers the following points while determining the fixed capital requirements of the company
- i. **Type of business:** The amount of fixed capital required by a company depends, to a large extent, on the type of business that it deals in.  
 Service or trading organizations → Small fixed capital requirement  
 Manufacturing organizations → Large fixed capital requirement
  - ii. **Scale of operations:** The Higher scale of operations implies that a larger amount needs to be invested in plants, land, building, etc., and thereby it requires large fixed capital and vice versa.
  - iii. **Alternative techniques of production:** An organization can opt for either capital-intensive techniques or labour-intensive techniques of production.  
 Capital-intensive techniques → Large fixed capital requirement  
 Labour-intensive techniques → Small fixed capital requirement
  - iv. **Growth prospects:** Higher growth and expansion of a company is associated with higher production, more sales, more inputs, etc.  
 High growth prospects → Large fixed capital requirement  
 Low growth prospects → Low fixed capital requirement
  - v. **Regular up-gradation of technology:** Organisations having machinery or types of equipment that are prone to becoming obsolete frequently require higher investment

in fixed capital. This is because regular replacement of obsolete equipments requires a large investment in fixed capital.

- vi. **Available alternatives for financing:** One of the alternatives for financing can be obtaining the assets on lease.

Easy availability of leasing facility → Low fixed capital requirement

Difficulty in obtaining assets on lease → High fixed capital requirement

OR

Working Capital is the excess of current assets over current liabilities. The four factors that affect the working capital requirements are:

- i. **Nature of business-** The amount of working capital requirement depends upon the nature of business. A trading business needs less amount of working capital because there is no processing of goods so no amount of cash is to be held as inventory. On the other hand, the working capital requirement would be more in case of manufacturing business where raw materials are converted into finished goods more amount of current assets needs to be held as inventory.
  - ii. **Scale of operation-** The amount of working capital requirement depends upon the scale of operations. A large-scale organisation requires a large amount of working capital as compared to the small-scale organisation because the quantum of inventory, debtors and cash required is generally high.
  - iii. **Seasonal factors-** Business operations are affected by seasonal changes. As during peak season, higher is the demand for the product and higher is the requirements of working capital. On the other hand, during the lean season requirements of working capital will be lower as the demand of the product is less.
  - iv. **Production cycle-** It is the time span between the receipt of raw materials and their conversion into finished goods. Length of production cycle affects the working capital requirement. If the duration of the production cycle is longer, the working capital requirements to meet day-to-day expenses would be higher. An organisation with a short production cycle require less working capital.
27. The concept of the Planning function of Management is as follows: Planning is Deciding what needs to happen in the future (today, next week, next month, next year, over the next five years, etc.) and generating plans for action.
- The 4 Types of Planning concept are:

- i. **Operational Planning:** “Operational plans are about how things need to happen,” motivational leadership speaker Mack Story said at LinkedIn. “Guidelines of how to accomplish the mission are set.” This type of planning typically describes the day-to-day running of the company. Operational plans are often described as single use plans or ongoing plans. Single use plans are created for events and activities with a single occurrence (such as a single marketing campaign). Ongoing plans include policies for approaching problems, rules for specific regulations and procedures for a step-by-step process for accomplishing particular objectives.
  - ii. **Strategic Planning:** “Strategic plans are all about why things need to happen,” Story said. “It’s big picture, long-term thinking. It starts at the highest level with defining a mission and casting a vision.” Strategic planning includes a high-level overview of the entire business. It’s the foundational basis of the organization and will dictate long-term decisions. The scope of strategic planning can be anywhere from the next two years to the next 10 years. Important components of a strategic plan are vision, mission and values.
  - iii. **Tactical Planning:** “Tactical plans are about what is going to happen,” Story said. “Basically at the tactical level, there are many focused, specific, and short-term plans, where the actual work is being done, that support the high-level strategic plans.”
  - iv. **Contingency Planning:** Contingency plans are made when something unexpected happens or when something needs to be changed. Business experts sometimes refer to these plans as a special type of planning. Contingency planning can be helpful in circumstances that call for a change. Although managers should anticipate changes when engaged in any of the primary types of planning, contingency planning is essential in moments when changes can’t be foreseen. As the business world becomes more complicated, contingency planning becomes more important to engage in and understand.
28. Price is an element of marketing mix which refers to all important decisions relating to the fixation of the price of a product.

Some factors that must be taken into consideration are:

- i. **Production cost:** The price should recover all costs viz. fixed costs, variable costs and semi-variable costs apart from obviously including a fair return for undertaking the marketing effort and risk.
- ii. **Utility and demand:** While determining the price of any product, the utility provided

by it and the intensity of demand should not be ignored. If a buyer is satisfied that the given product meets his/ her requirement, he would also be ready to pay the cost and reasonable margin to the producer.

- iii. **Extent of competition in the market:** In the case of monopoly, a firm can enjoy complete freedom in fixing prices. However, if it is facing competition, it should consider the prices charged by the competitors also.
- iv. **Government and legal regulations:** Government plays an important role in regulating the prices. For example, Life Saving Drugs, etc.

OR

- 1. Rebate
- 2. Full finance @ 0%
- 3. Product Combinations
- 4. Discount
- 5. Usable Benefit
- 6. Instant Draws and assigned gift.