

CBSE Class 12 Business Studies
Sample Paper 03 (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. Selection is a _____.
 - a. Negative Process
 - b. Day-to-day Process
 - c. Positive Process
 - d. None of these
2. Match the following and select the most appropriate option-

(i) Brand name	(a) Tag
(ii) Packaging	(b) Devil of Onida
(iii) Label	(c) Cardboard box
(iv) Brand Mark	(d) Bata

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

3. Grapevine is:
 - a. Formal communication
 - b. Barrier to communication
 - c. Lateral communication
 - d. Informal communication
4. Which of the following does not characterise the business environment?
 - a. Relativity
 - b. Complexity
 - c. Employees
 - d. Uncertainty
5. Which of the following is not a feature of divisional structure?
 - a. It is easy to fix the responsibility on one department.
 - b. It is not suitable for large firms.
 - c. It facilitates managerial development.
 - d. Its formation is based on product lines.
6. Which of the following is associated with the marketing standard?
 - a. Dispute Rate
 - b. Sale expenses
 - c. Liquidity
 - d. Quantity
7. The law of mining rules and regulations license required for running the business is an example of:
 - a. Political environment
 - b. Social environment
 - c. Economic environment
 - d. Legal environment
8. Which of the following is not a leadership style?
 - a. Free-rein
 - b. Autocratic
 - c. Democratic
 - d. Dictatorship
9. Price of a product can be fixed by considering:
 - i. Press Relations

- ii. Mobility of a salesperson
 - iii. Marketing methods used
 - iv. Consumer Attention
 - a. i and ii
 - b. only iii
 - c. iv and i
 - d. ii and iii
10. A decision to acquire a new and modern plant to upgrade an old one is a:
- a. None of the above
 - b. Investment decision
 - c. Working capital decision
 - d. Financing Decision
11. _____ is a managerial decision-making process as to predict which job applicants will be successful if hired.
- a. Selection
 - b. Recruitment
 - c. Training
 - d. Orientation

OR

- Recruitment process starts with _____.
- a. Lock out
 - b. Strike
 - c. Invitation to interested people
 - d. Demand of employees
12. A portion of profit after tax, which is distributed to shareholders is a _____.
- a. None of these
 - b. Dividend Decision
 - c. Financing Decision
 - d. Investment Decision
13. **Read the following text and answer the question:**
- ABC Ltd is a leading company manufacturing electronic products. They are facing a lot of problems these days. The company's margin are under pressure and the profits and

market share are declining. This is because of chaos between two departments i.e. the Production department and the Marketing department. The marketing department blames the production department for delays in the production of goods. However, the production department blames the marketing department for not meeting the sales targets.

- i. "The company's margin are under pressure and the profits and the market share are declining." According to the statement, which objective does the company unable to fulfill?
 - a. Social
 - b. Organisational
 - c. Economic
 - d. Personal
- ii. What quality of management do you think the company is lacking?
 - a. Controlling
 - b. Discipline
 - c. Coordination
 - d. Planning
- iii. State the reason, why coordination is the essence of management?
 - a. It is a common thread that runs through all the activities within the organisation
 - b. It is a force that binds all the functions of management
 - c. It is implicit and inherent in all functions of the organisation
 - d. All of the above
- iv. State the process of designing and maintaining an environment in which employees working together efficiently accomplish objectives of the firm.
 - a. Administration
 - b. Management
 - c. Coordination
 - d. Cooperation

14. Read the following text and answer the questions:

Flipkart is an e-commerce company founded in the year 2007 by Sachin Bansal and Binny Bansal. The company is registered in Singapore but has its headquarters in Bengaluru, India. The company seeks to increase traffic (more clicks on their products) and boost sales and revenue through the integration of Mobile Apps, Display, Pay Per Click and

Search Engine Optimization. In order to dispel the fear of people related to shopping online, Flipkart was the first company to implement the popular 'Cash on Delivery' facility. All the products sold by the company under a particular category may have different return/replacement period. Flipkart allows multiple payment options such as cash on delivery, credit or debit card transactions, net banking, e-gift voucher and card swipe on delivery. The company operates both ways when an order is received. The products for which it holds inventory are dispatched by it directly. For the products they do not store in inventory, they just send the order received by them to the supplier who ships it. The company plans to spend about ₹ 75 crores on e-Commerce advertising in the year 2016. Flipkart reserves the right to terminate your membership and/or refuse to provide you with access to the website if it is brought to Flipkart's notice or if it is discovered that you are under the age of 18 years. This is because as per the Indian Contract Act, 1872, the minors, un-discharged insolvents, etc. are not eligible to use the website.

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

- i. "The company seeks to increase traffic (more clicks on their products) and boost sales and revenue through the integration of Mobile Apps, Display, Pay Per Click, and Search Engine Optimization." Identify the type of plan being used by Flipkart in these lines.
 - a. Objectives
 - b. Strategy
 - c. Policy
 - d. Method
- ii. "All the products sold by the company under a particular category may have different return/replacement period." Identify the type of plan being used by Flipkart in these lines.
 - a. Objectives
 - b. Strategy
 - c. Policy
 - d. Method
- iii. "Flipkart allows multiple payment options such as cash on delivery, credit or debit card transactions, net banking, e-gift voucher and card swipe on delivery." Identify the type of plan being used by Flipkart in these lines.

- a. Objectives
 - b. Strategy
 - c. Policy
 - d. Method
- iv. "The company operates both ways when an order is received. The products for which it holds inventory are dispatched by it directly. For the products they do not store in the inventory, they just send the order received by them to the supplier who ships it." Identify the type of plan being used by Flipkart in these lines.
- a. Objectives
 - b. Procedure
 - c. Policy
 - d. Method
15. Explain how
- i. Planning reduces the risks of uncertainty; and
 - ii. Planning involves huge costs.
16. What should an organization do to achieve the basic objective of survival?
17. Define the term "Control" or "Controlling".

OR

Mr. Robert is appointed as a factory manager in a gel-pen manufacturing company. He was given a target of producing one lac gel-pens per month. He knew that the essence of management is to achieve desired results but he does not know how to ensure the work goes on according to plans. Guide him by explaining the process so that he is able to achieve the desired results.

18. Khoobsurat Pvt. Ltd. is the largest hair salon chain in the Delhi, with over a franchise of 200 salons. The company is now planning to set up a manufacturing unit in Faribadad for production of various kinds of beauty products under its own brand name.
- In the context of the above case:
- a. Comment upon the fixed capital needs of the company.
 - b. How will the requirement of fixed capital of the company change when it implements its plan to set up a manufacturing unit?

OR

With a view to encouraging its employees, **Shruti Fashion Designers Ltd.** launched a scheme. It was like this: Any employee of the company whose work performance reaches up to a given mark will get free 10 equity shares of the company. On the other hand, that employee of the company whose work performance is not up to a given mark will get 10 equity shares of the company at face value (market value of company's shares is much higher than the face value). The scheme was accepted by the employees gladly. They felt very happy as they were now participant in the ownership of the company. They displayed better performance than before. Not only that, many employees began to take interest in buying and selling of shares of other companies. The market, wherein they used to buy and sell shares, was doing the job of creating liquidity in the shares. The attribute of creating liquidity by this market was very much liked by the employees.

- i. Identify the above mentioned incentive method.
- ii. Name the market that interested the employees.
- iii. How does the market, identified these points discussed here, create liquidity in the shares?

19. Post demonetisation, bank employees have been experiencing hectic long working hours, which has been highly praised by all. Banks chalked out a compensation plan for their employees, who have been working long hours like offering compensatory "off-days" in lieu of holidays on which the employees worked, giving "additional money" to the employees and so on. Reshma (42), who has been working with a nationalized bank for seven years, said, "We have worked tirelessly to meet customer's demands,". Moreover, she added that "There were several circulars from the head office and RBI. We had to go through them thoroughly and adhere to all the instructions. It is also important to ensure transactions go smoothly and we solve customer-staff disputes,"

In context of the above case:

- a. Identify the human need of Reshma as per Maslow's need hierarchy theory which was affected due to demonetisation.
 - b. Identify the type of incentives which were provided to the bank employees for assuming their responsibility diligently.
20. Briefly explain following money market instruments:
- i. Commercial paper
 - ii. Commercial bill
21. "There is no dearth of talent outside." Justify this statement.

22. Various tool of communication are used by the marketers to promote their products.'

Answer the following questions:

1. Which tool of promotion will primarily be used for the following:
 - a. To promote or protect a company's image or its individual products;
 - b. An existing product meant for mass usage by literate people;
 - c. To introduce a new product to a particular class of people through door-to- door visits.
2. Why do companies use all tools at the same time?
3. Name and explain the most commonly used non-personal tool of promotion which is paid for by the marketer.

OR

Differentiate between **Production Concept** Philosophy and **Product Concept** philosophy on the basis of

- a. Meaning
- b. Main Focus
- c. Means
- d. Ends

23. Explain any two external sources of recruitment.

24. Ketan went to a shop to purchase a shirt. The shopkeeper offered him three colours of shirts. He asked him to show a shirt which was on display. He told him he can't buy that shirt and would have to select from the options provided by him. Out of necessity and lack of time, Ketan purchased a shirt out of the one showed by the shopkeeper. He paid him cash and did not take the cash memo. When he wore the shirt at home and was about to leave he found one button of the shirt missing. He went to the shop the next day and asked for the replacement. The shopkeeper bluntly denied that the shirt was purchased by him.

- a. Identify and explain the consumer right of Ketan violated here.
- b. Which consumer responsibility was not fulfilled by Ketan which led to this situation?
- c. Where Ketan can file a complaint against the shopkeeper.
- d. From the point of view of business which importance of consumer protection has been overlooked by the shopkeeper?

25. Explain with the help of an example 'differential piece wage system' given by Taylor.

26. Explain any six factors which affect the capital structure of a company.

OR

Sakshi Ltd is a company manufacturing electronic goods. It has a share capital of Rs120 lakhs. The earning per share in the previous year was Rs 0.5. For diversification, the company requires additional capital of Rs80 lakhs. The company raised funds by issuing 10% debentures for the same. During the current year the company earned profit of Rs16 lakhs on capital employed. It paid tax @40%.

- i. State whether the shareholders gained or lost in respect of earning per share on diversification, show your calculations clearly.
 - ii. Also state any three factors that favour the issue of debentures by the company as part of its capital structure.
27. Decentralisation is an optional policy. Explain why an organisation would choose to be decentralised.
28. State any five functions of labelling.

OR

Explain the following sales promotion activities

- i. Refund
- ii. Instant draw and assigned gifts
- iii. Full finance at 0%
- iv. Sampling.

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Solution

Section A

1. (a) Negative Process

Explanation: Selection is the process of identifying and choosing the best person out of a number of prospective candidates for a job. In the selection process, the rejection is generally more than the selected candidates. Therefore it is called a negative process.

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

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

3. (d) Informal communication

Explanation: The informal system of communication is generally referred to as the 'grapevine' because it spreads throughout the organisation with its branches going out in all directions.

4. (c) Employees

Explanation: Employees are an integral part of the business. Specific and general forces, Uncertainty, Relativity, and Complexity are the main features of the business environment.

5. (b) It is not suitable for large firms.

Explanation: It is not suitable for large firms.

6. (b) Sale expenses

Explanation: Sale expenses come under Marketing standard.

7. (d) Legal environment

Explanation: The legal environment is concerned with all law and legal affairs.

8. (d) Dictatorship

Explanation: There are three basic styles of leadership which are autocratic, democratic, and Laissez-faire.

9. (b) only iii

Explanation: Marketing methods are considered for pricing of product.

10. (b) Investment decision

Explanation: A decision to acquire a new and modern plant to upgrade an old one is an

investment decision.

11. (a) Selection

Explanation: Selection applies here

OR

(d) Demand of employees

Explanation: Starting of recruitment process is from Demand of employees

12. (b) Dividend Decision

Explanation: A portion of profit after tax, which is distributed to shareholders is a dividend decision.

13. i. (b) Organisational

ii. (c) Coordination

iii. (d) All of the above

iv. (b) Management

14. i. (a) Objectives

ii. (c) Policy

iii. (d) Method

iv. (d) Method

15. 1. **Planning reduces the risks uncertainty:** Planning reduces the risk of uncertainty by making effective forecasting techniques which enable the managers to look ahead and anticipate changes. It shows the ways to deal with changes and uncertain events. Also, It helps in developing managerial responses for the unforeseen and unanticipated circumstances by stimulating "what if" situations.

2. **Planning involves huge costs:** Planning involves the collection and analysing of data, setting planning premises, application of various forecasting techniques like trend analysis, correlation etc, determining the alternative courses of action etc. All these makes planning a costly process. Also, discussion with experts, arranging board meetings, preparing blueprints etc further adds up to make planning a costlier process.

16. Management is fully responsible for the welfare and survival of a business organization. Management must ensure that organization earn enough revenue to cover its cost and for its survival. As it is the basic purpose of every organization to survive in neck to neck competition market. If organization want to survive in long run than survival is

necessary means to cover its cost.

17. Controlling is the most vital function in management. In this step, actual performance is compared with planned performance. If there is any difference or deviation then finding out the causes of deviation and taking corrective measures of action. "Managerial control implies the measurement of accomplishment against the standard and the correction of deviations to ensure attainment of objectives as per plan", It is mostly concerned with improvement and updating the previous trend.

OR

He must follow the controlling process given below:

1. **Setting performance standards:**

The first step in the controlling process is setting up of performance standards with which the actual results are to be compared. A standard is the criterion against which actual performance can be compared. Standards can be in the shape of goals, targets and objects.

2. **Measurement of actual performance**

The second major step in controlling is to measure the performance. Finding out deviations becomes easy through measuring the actual performance. Performance levels are sometimes easy to measure and sometimes difficult. Measurement of tangible standards is easy as it can be expressed in units, cost, money terms, etc. Quantitative measurement becomes difficult when performance of manager has to be measured.

3. **Comparing actual performance with standards**

This step involves comparison of actual performance with the standard. Comparison between actual performance and standard will reveal the deviation between actual and desired results. Deviation means the difference between actual performance and standard performance.

4. **Analyzing deviation**

Analyzing deviation means identifying the reasons of difference or deviations, which may be defective material, defective machinery, defective physical conditions of work etc. It is important to determine the acceptable range of deviations, say 5%. It means minor or very small deviations should be ignored, for example, 3 units less produced by David.

5. Taking corrective actions:

Once the causes and extent of deviations are known, the manager has to detect those errors and take remedial measures for it. There are two alternatives here-

- a. Taking corrective measures for deviations which have occurred; and
- b. After taking the corrective measures, if the actual performance is not in conformity with plans, the manager can revise the targets. It is here the controlling process comes to an end. Follow up is an important step because it is only through taking corrective measures, a manager can exercise controlling.

18. i. Fixed capital includes the assets and capital investments—such as property, plant, and equipment (PPE)—that are needed to start up and conduct business, even at a minimal stage. These assets are considered fixed in that they are not consumed or destroyed during the actual production of a good or service but have a reusable value. Fixed-capital investments are typically depreciated on the company's accounting statements over a long period of time—up to 20 years or more. The fixed capital needs of the company are low as its salons have been promoted in the form of franchises.
- ii. The requirement of fixed capital of the company will increase when it implements its plan to set up a manufacturing unit because it will have to make investments in buying land, building, machinery etc.

OR

- i. Co-partnership
- ii. Stock exchange
- iii.
 - According to the changes in the market price, share can be sold at any time.
 - It helps in converting an investment into cash and vice versa.
19. 1. The human need of Reshma as per Maslow's need hierarchy theory of which was affected due to demonetisation is described below:

Physiological Needs

The basic physiological needs are probably fairly apparent—these include the things that are vital to our survival. Some examples of the physiological needs include:

- Food
- Water
- Breathing
- Homeostasis

In addition to the basic requirements of nutrition, air and temperature regulation, the physiological needs also include such things as shelter and clothing.

2. Both monetary and non-monetary incentive were being provided to the bank employees for assuming their responsibility diligently.

20. i. **Commercial Paper:** Commercial paper is a short-term unsecured promissory note, negotiable and transferable by endorsement and delivery with a fixed maturity period. It is issued by financially sound reputed corporate enterprises. They are issued for a period of 15 days to one year. These are sold at a discount and redeemed at par/ They can be issued in denominations of Rs.5 lakh and in multiples thereof. It is used to raise short term funds at lower rates of interest than market rates. These are negotiable instruments i.e., they are freely transferable by endorsement and delivery. Usually the commercial banks and mutual funds invest in this instrument. For example Suppose a Company needs long-term finance to buy some Plant and Machinery. In order to raise the long-term funds in the capital market the company will have to incur floatation costs (costs associated with floating of an issue such as brokerage, commission, printing of prospectus, application forms and advertising etc.) Commercial paper may be issued to meet the floatation costs. This is known as Bridge Financing.
- ii. **Commercial Bill:** A commercial bill is a bill of exchange used to finance the working capital requirements of business firms. It is a short-term negotiable, self-liquidating instrument which is used to finance the credit sales of the firm. It is a written acknowledgement of debt, where seller (drawer) draws a bill of exchange and the buyer (drawee) accepts it. On being accepted, the bill becomes a marketable instrument and is called a Trade Bill. Trade bills are commonly used in credit sales and purchase. A trade bill can be discounted with the bank if the seller (drawer) needs funds before the date of maturity of the bill. If the trade bill is accepted by a commercial bank, then it is known as Commercial Bill. The difference between the face value of the bill and the amount paid prior to the maturity date is called the discount charged by the bank. They are generally issued for a period of 90 days. These are negotiable instruments i.e., they are freely transferable by endorsement and delivery.
21. The statement clearly states that the External sources of recruitment are better than the Internal sources. The following are the reasons for the same:

- i. **Fresh talent:** The entry of fresh talent into the organization is encouraged. New employees bring new ideas to the organization.
 - ii. **Wider choice:** Through external recruitment, the organization gets a wider choice. In other words, the management has the option in hand to choose from the best.
 - iii. **Qualified personnel:** By using external recruitment, the management can get qualified and trained persons. Thus, the cost of training also reduces.
 - iv. **Latest technical knowledge:** Through campus placement, the organization get employees with the latest technical knowledge. are well-versed with the latest turnarounds in the Technological environment.
 - v. **Competitive spirit:** When outsiders join the organization, this develops a competitive spirit among the existing employees of the organization and induce them to work harder than before.
22. 1. The tools of promotion used are: (a) Public Relations; (b) Advertisements; (c) Personal Selling.
2. The companies use all tools at the same time because of the nature of market, nature of product, promotion budget and objectives of promotion being different at different times.
3. The most commonly used non-personal tool of promotion which is paid for by the marketer is advertising. The explanation should include: It is a paid and non-personal form having an identified sponsor to promote an idea.

OR

The following table shows the distinction between production concept and product concept:

Basis of Distinction	Production Concept	Product Concept
Meaning	Production concept philosophy means the process of production and distribution of products widely available at affordable prices.	Product concept philosophy means the process of production and distribution of products of superior quality, performance, and feature.
Focus	Its main focus is on quantity of product.	Its main focus is on the quality and performance features of product.

Means	Marketing strategy revolves around the availability and affordability of product.	Marketing strategy revolves around the improvement of the product.
Ends	It is based on profit through a volume of production.	It is based on profit through product quality.

23. i. **Campus Recruitment:** It refers to recruitment from educational institutions. Some big organisations remain in touch with the educational institutions with the purpose of recruiting young talented people.
- ii. **Casual callers:** It is generally followed by the factories of manufacturing organisations to fill up vacancies at the labour level. In such cases, the organisation keeps the record of casual callers and present them at the time of requirement.
- iii. **Advertising:** The most common and popular method of external recruitment is advertising, e.g. for the job of an accountant, the advertisement can be given in CA journal, for lower rank it can be given in local newspapers and for higher rank it can be given in national level reputed newspapers. Advertisement may also be done through television.
- iv. **Labour contractors:** They remain in contact with both the labourers and the managers. Whenever managers put up demand for labourers, these contractors make available their supply in no time.
24. a. **Right to Choose:** According to this right, the consumer has the right to choose from a variety of products at competitive prices.
- b. Insist on cash memo.
- c. Ketan cannot file a complaint against the shopkeeper as there is no proof of purchase (Cash Memo).
- d. Long-term interest in the business.
25. Taylor wanted to differentiate between efficient and inefficient worker'. Under this system of wage payment, wages are paid on the basis of work done and the output produced.

According to him, higher rates were given to the workers who are producing standard products or more and lower rates were given to those who are producing less.

Example:

Standard output = 100 units/day

Wage rate 1 = Rs10/unit for standard output

(100 units) or more

Wage rate 2 = Rs7/unit for below standard output

Worker 1 = Output 99 units

Wages = $99 \times 7 = \text{Rs } 693$

Worker 2 = Output 101 units

Wages = $101 \times 10 = \text{Rs } 1010$

Thus, a difference of Rs317 (1010-693), or difference of 2 units is enough to motivate the inefficient worker for more output. It makes it rather easier for the manager to clearly differentiate between an efficient and inefficient worker at the same time. The real cause of the growth of an organization lies in the quality of the workforce. Thus, the differential piece wage system helps to transform the inefficient worker into an efficient worker.

26. Factors affecting the capital structure of a company:

- i. **Cash Flow Position:** A stronger and regular cash flow position of the business makes debt as the primary choice for capital structure.
- ii. **Interest Coverage Ratio:** In case the Interest Coverage Ratio is higher, the Finance Manager prefers debt over equity and vice-versa.
- iii. **Tax Consideration:** The inclusion of more of debt in the capital structure makes it easier for the company to lessen the burden of the tax.
- iv. **Control Consideration:** If the company has no hesitation in diluting the control of ownership, then it may opt for higher equity, else, it prefers debt.
- v. **Market Consideration:** In case of the boom period, the flow of cash is stronger and thus debt becomes an automatic choice in the capital structure, while in case of Depression, the company incorporates more of equity in the capital structure.
- vi. **Debt-Service Coverage Ratio:** Higher Debt-Service Coverage ratio ensures more of debt in the capital structure.

OR

i.

Profit before interest and tax	Rs 16,00,000
(-) Debentures interest $\left(80,00,000 \times \frac{10}{100}\right)$	Rs 8,00,000
Profit after interest	Rs 8,00,000

$(-) \text{Tax} \left(8,00,000 \times \frac{40}{100} \right)$	Rs 3,20,000
Profit after tax	Rs 4,80,000
Earning per share	$\frac{\text{Profit After Tax}}{\text{Number of Shares}} = \frac{4,80,000}{12,00,000} = 0.40$

Since earning per share has fallen from 0.50 to 0.40, therefore the shareholders stand to lose on diversification

Note In the absence of any information, shares are assumed to be of Rs10 each.

So, the number of shares = $\frac{\text{Share Capital}}{\text{Face value Per Share}} = \frac{120,00,000}{10} = 12,00,000$ shares

- ii. Three factors that favour the issue of debentures by the company as part of its capital structure are
 - a. **tax benefits:** Debenture interest payable is treated as a charge against profits. Hence a company stands to gain in terms of tax benefits as it will reduce the tax liability as interest is tax deductible.
 - b. **trading on equity:** Issue of debentures help the shareholders of the company to gain through 'Trading on Equity' that is issuing debentures increases the earning per share of the shareholders due to the presence of financial leverage. It attains the objective of maximizing shareholder wealth.
 - c. **Cost of Debt:** Debenture is a cheaper source of finance as compared to equity.
 - d. **No dilution of Control:** since debentures do not carry any voting rights there is no dilution of control that is no interference in the decision making of the company.

27. Decentralization is an optional policy but it increases the importance of a subordinate's role. It spreads the decision-making process to all the levels of management. It develops managerial talent and facilitates growth by providing enough opportunities for all the subordinates to show their decision-making ability. Decentralization must always be balanced with centralization in areas of major policy decisions. The major policy decisions cannot be totally decentralized as the onus of such decisions lies on the top-level management.

An organization may choose decentralization because of following reasons:

- i. **Develops initiative among subordinates:** Decentralisation motivates lower level employees to take decisions in favor of organization regarding the problems they face. It promotes self-reliance and confidence among the subordinates and

encourages them to take initiative and show their talent and skills. When employees at the lower level get the freedom to take their own decisions and to develop the solutions for the various problems they encounter, they learn to depend on their own judgments and are always ready to accept accountability of their decisions.

Decentralization highlights those subordinates who have talent and potential to become dynamic leaders.

- ii. **Develops managerial talent for the future:** When authority is decentralized, employees get a chance of using their own judgments. They learn and understand how to take decisions in crunch situations. This leads to developing their managerial skills. They get experience by completing the given tasks independently which help in the smooth functioning of an enterprise. They get a chance to prove themselves for the managerial positions. Thus, they develop as managerial talent for the future.
- iii. **Quick decision-making:** In a way, the subordinates are independent to take their decisions, therefore, their dependence on their superiors is no longer in the picture. They take the decisions in no time if they believe that the decisions would be beneficial for the organization.
- iv. **Relief to top management:** In the process of decentralization top-level managers are not overburdened with the responsibilities and authority. Decentralization improves managerial efficiency because managers get more time to concentrate on important matters and in strategic planning and policy making. By empowering the employees, managers get freedom from routine work and they get opportunities to explore new areas. However, initially, the managers must decentralize only those tasks which are not of strategic importance.
- v. **Facilitates growth:** Decentralisation results in the growth and diversification of the enterprise. It provides more freedom to the subordinates which motivate them to do the work in an effective manner best suited for their department. As a result, each department doing its best which help in increasing the productivity and organization is able to make more returns which can be used for the expansion of the organization.
- vi. **Better control:** Decentralisation provides better control because performance can be evaluated at each level and the departments can be individually held accountable for their results. It is the process of making subordinate accountable or answerable to the superior for final results. It flows top to downwards i.e. subordinate is answerable or accountable to his superior. A subordinate is fully answerable to his superior for the

performance of the task assigned to him. In no way, the subordinates must believe that their decisions will not be questioned, and they will not be held accountable in case a decision backfires.

28. The following are the important functions of labeling:

- i. **Describe the Product and Specify its Contents:** A label provides complete information regarding the product. It mainly includes ingredients of the product, its usage, and caution in use cares to be taken while using it, date of manufacturing, batch number, etc.
- ii. **Identification of the Product or Brand:** It is easier to identify a particular product among many with the help of labeling. For example, you as a consumer want to select CINTHOL SOAP. The task of finding the desired soap from a heap of various branded soaps becomes easier with the help of labeling.
- iii. **Grading of Product:** When a product has different qualities, labeling helps to find out which pack contains what type of quality. For example, Hindustan Unilever Ltd., manufactures three types of tea and to differentiate each type of tea, the company uses Green, Red and Yellow coloured labels.
- iv. **Help in Promotion of Products:** The fourth function of labeling is to promote sales. Sometimes a consumer gets encouraged to buy a product simply due to an attractive label. Nowadays labeling is used as an effective sales promoting tool.
- v. **Providing the information required by Law:** Another important function performed by labeling is to provide statutory warning required by law. To put 'smoking is injurious to health' on the package of cigarettes and 'Chewing Tobacco is Injurious to Health' on the package of Pan Masala are the examples of statutory warning. Similarly, in case of hazardous or poisonous products, appropriate statutory warning needs to be put on the label.

OR

- i. **Refund:** Refunding is a part of the price paid by the customer on some proof of purchase, say the return of empty foils or wrapper. This is mainly used as a sales promotion tool by the service industry.
- ii. **Instant draw and assigned gifts:** The customer may get a gift on scratching a card or drawing a number carrying the assured prize. In this way, the customer is lured about buying the product. Many e-pay sites and apps are using it as a successful sales

promotion tool.

- iii. **Full finance at 0%:** Many marketers offer 0% interest on financing of consumer durable products like washing machine, TV, etc, eg 24 instalments in which 6 paid as first payment (down payment) and remaining 18 with postdated cheques In these types of schemes, customer should be careful about the file charges, rate of interest, etc.
- iv. **Sampling:** It refers to the distribution of free samples of the product to the customers. These are distributed when the seller wants the customers to try the product. Generally, when a new product is launched such samples are distributed. This is done to establish the product in the market. It develops the faith of the customer in the product and makes him a regular consumer of the product if he gets satisfied with it.