

CBSE Class 12 Business Studies
Sample Paper 01 (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. Under which method of training, employees are shifted from one job position to another:
 - a. Training
 - b. Job Rotation
 - c. Promotion
 - d. Transfer
2. A brand or part of a brand that is given legal protection is called:
 - a. Trademark
 - b. Brand name
 - c. Logo
 - d. Brandmark
3. What is the name of the need which makes an individual to take his ability to the highest level?
 - a. Esteem Need
 - b. Security Need
 - c. Self Actualisation Need
 - d. Affiliation Needs
4. For the protection of a consumer's right, there is _____.
 - a. Consumer protection Act 1984

- b. Consumer Protection Act, 1986
 - c. Consumer Protection Act, 1956
 - d. Consumer Protection Act, 1932
5. Authority, responsibility and accountability are the elements of _____.
- a. Informal Organisation
 - b. Decentralisation
 - c. Delegation
 - d. None of these
6. Controlling is related to _____.
- a. Results
 - b. Managers
 - c. Individuals
 - d. Things
7. Booking of Railway tickets through the internet from home or office is an e.g. of _____.
- a. Economic Environment
 - b. Political Environment
 - c. Technological Environment
 - d. None of these
8. Punishment and stopping increments etc. are the examples of _____.
- a. Negative Motivation
 - b. Supervision
 - c. Positive Motivation
 - d. Communication
9. _____ removes doubts immediately.
- a. Sales Promotion
 - b. Publicity
 - c. Personal Selling
 - d. Advertisement
10. Financial planning arrives at:
- A. ensuring that the firm faces neither a shortage nor a glut of unusable funds
 - B. entering that the firm always have significantly more funds than required so that there is no paucity of funds
 - C. minimising the external borrowing by resorting to equity issues

- D. doing only what is possible with the funds that the firms have at its disposal
- Only A
 - Only D
 - Only B
 - Only C
11. Which of the following is not the process of selection?
- Reference and background checks
 - Training and development
 - Medical examination
 - Contract of employment
- i and ii
 - only ii
 - ii and iii
 - iv and i

OR

- Which mode of recruitment is least expensive?
- Media advertising
 - Campus recruitment
 - Direct recruitment
 - Consultants
12. A decision to acquire a new and modern plant to upgrade an old one is a _____.
- working capital decision
 - investment decision
 - financing decision
 - dividend decision

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

ABLEX Ltd. is a big and well-reputed company. The biggest challenge for the company is managing many employees at the same time. As the company has various departments like human resources, marketing, finance, etc., it is very necessary for the company to maintain unity in different departments. All the employees work hard for the organisation. Despite their different interest, they all perform various activities together so as to achieve the objectives of the company. The career of employees is shown a

developmental path through proper training modules and job enrichment. Ajay is a manager who assigns all duties and responsibilities to his employees in the department. He uses all sources to develop proper communication with them and leaves no attempt to motivate them.

- i. "As the company has various departments like human resource, marketing, finance, etc., it is necessary for the company to maintain unity in different departments." Which characteristic of coordination is highlighted here?
 - a. It integrates Group Efforts
 - b. It is a Continuous process
 - c. It ensures Unity of Action
 - d. It is Pervasive
- ii. At which level of management do Ajay works?
 - a. Top Level Management
 - b. Middle-Level Management
 - c. Lower Level Management
 - d. Supervisory Level Management
- iii. "The career of employees is shown a developmental path through proper training modules and job enrichment." Which type of objective is fulfilled here?
 - a. Economic objectives
 - b. Social Objectives
 - c. Organisational Objectives
 - d. Personal Objectives
- iv. Which function of management does Ajay perform in the company Ablex Ltd?
 - a. Directing
 - b. Planning
 - c. Organising
 - d. Staffing

14. Read the following text and answer the questions:

‘Super Voltage’ – a company that manufactures microwaves is known for its flawless planning. However, the top management of the company accepts that some of its plans have failed in the past as the outside business environment is unpredictable and dynamic. The company invests a huge portion of its revenue on planning related issues. Recently in a newspaper, the company was blamed for preventing its employees from

doing new things due to the plans which are decided by the top management. Rajkumar a middle-level manager in the company in a seminar said that the planning aspect of a company should be dealt with cautiously. There should be specific goals and activities to reach these goals should also be properly executed. The company has many serious competitors in the market. Even they unanimously agree that without planning no other function of management can exist and it's the basic platform on which the whole structure of management is laid. When it comes to following up of plans it becomes very important to know the standards. The success of a plan can only be checked when it is known how much of the set target has been met because it is at the stage of planning these targets are set. It's not about the past. It's for the coming time and challenges that a company formulates a plan. Rajkumar knows this well. He uses his intelligent imagination and foresight while formulating the plans. Based on the case, answer the following questions:

- i. Which features of planning have been indicated in the above paragraph?
 - a. Planning focuses on achieving objectives
 - b. Planning is a primary function
 - c. Planning is a mental exercise
 - d. All of the above
- ii. Which importance of planning has indicated in the above paragraph?
 - a. Planning sets standards for controlling
 - b. Planning provides direction
 - c. Planning reduces the risk of uncertainty
 - d. Planning helps in decision making
- iii. Which limitation of planning has been indicated in the above paragraph?
 - a. Planning may not work in a dynamic environment
 - b. Planning reduces creativity
 - c. Time Consuming
 - d. Both (a) and (b)
- iv. The company invests a huge portion of its revenue on planning-related issues, which limitation of planning has been discussed here?
 - a. Planning may not work in a dynamic environment
 - b. Planning reduces creativity
 - c. Time Consuming

d. Huge cost

15. 'Planning reduces creativity'. How?
16. Why is management considered to be a multi-dimensional concept?
17. Mr. Stanley Anthony is the Production Manager of 'Coconut Oil and General Mills Ltd. His main virtue is that prior to doing anything, he ponders over it. To explore and analyze different options of each and every activity that is to be undertaken by him in the future has become his habit. Besides, he quickly brings his subordinates under his own influence. They do what he wants. In spite of all this, for the last few months, the performance of his department failed to achieve the expected level. This situation put him into a lot of worries. To counter this situation, he sought help from some external specialists. Finally, he concluded that the poor performance was due to two reasons: First, the inefficiency of some newly recruited employees and Second, wear and tear of machines. In order to remove these shortcomings he took the following corrective action:
 - i. To remove the inefficiency of the employees he established a training centre and gave its charge to an expert trainer.
 - ii. To deal with the wear and tear of machines he decided to replace them with new ones.

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

- a. Identify, by quoting the lines any two functions concerning management taken by Mr. Anthony.
- b. Identify the two steps of the controlling process mentioned here.
- c. Identify the training method.

OR

Name the principle that a manager should consider while dealing with deviations effectively. State any one situation in which an organisation's control system loses its effectiveness.

18. Wooden Peripheral Pvt. Ltd. is counted among the top furniture companies in Delhi. It is known for offering innovative designs and high-quality furniture at affordable prices. The company deals in a wide product range of home and office furniture through its eight showrooms in Delhi. The company is now planning to open five new showrooms each in Mumbai and Bangalore. In Bangalore, it intends to take the space for the showrooms on lease whereas, for opening showrooms in Mumbai, it has collaborated

with a popular home furnishing brand, 'Creations.'

- a. Identify the factors mentioned in the paragraph which are likely to affect the fixed capital requirements of the business for opening new showrooms both in Bangalore and Mumbai separately.
- b. "With an increase in the investment in fixed assets, there is a commensurate increase in the working capital requirement." Explain the statement with reference to the case above.

OR

Shreya is a student of 10+2 (Commerce). Her two friends Sugandha and Sakshi are 10+2 (Non-Medical) students. Shreya has full knowledge of the capital market. Both her friends are interested in it, but they do not have even an iota of knowledge about it. Shreya gives them knowledge about the capital market in the following manner:

In order to meet its financial requirements, the company issues shares. Shares are issued in the capital market. The company issued a prospectus and invites the general public to invest in shares. It is called an Initial Public Offer - IPO. It is not the case that by investing once the investors are entrapped. If they so desire, they can sell their shares, at the current market price, to other investors and thus can withdraw their own capital.

Another important feature is that the market in which the company issues shares has no particular place. However, the market wherein the shareholders sell shares does have a particular place, called stock exchange.

- i. In the above paragraph, two types of capital market have been mentioned. Identify them.
 - ii. Of the identified type of capital market give two characteristics each by way of quotation.
19. Name the type of written communication in which two departmental heads communicate with each other. Why is this type of communication required?
 20. The SEBI has imposed a penalty of Rs.7,269.5 crore on Pearls Agrotech Corporation Limited (PACL) and its four directors — Tarlochan Singh, Sukhdev Singh, Gurmeet Singh and Subrata Bhattacharya who had mobilised funds from the general public through illegal collective investment schemes in the name of purchase and development of agriculture land. While imposing the penalty, the biggest in its history, Securities and Exchange Board of India (SEBI) said the company deserved "maximum penalty" for

duping the common man. Its Prevention of Fraudulent and Unfair Trade Practices Regulations provides for "severe to severe penalties" for dealing with such violations. As per SEBI norms, it can impose a penalty of Rs.25 crore or three times of the profit made by indulging in fraudulent and unfair trade practices and in the present case, the regulator has imposed a fine equivalent to three times of the illicit gains.

In context of the above case:

- i. State the objectives of setting up SEBI.
 - ii. Identify the type of function performed by SEBI by quoting lines from the paragraph.
21. Mr. Ram Murti, the director of **Bahuguna Ispat Udyog Ltd.** is of the opinion that an employee is a prudent and sensitive resource of the organisation. As such, special attention must be paid to his emotions. This is the reason why Mr. Bahuguna always formulates such plans are beneficial to both the employees and the organisation. With a view to giving a practical shape to his opinion, he has chalked out a plan. According to this plan, employees should be inspired to visit popular management institutes to acquire the latest knowledge. This will enhance their performance level and prove beneficial to the organisation as well as the employees. Keeping it in view, Mr. Bahuguna, contracted IIM, Ahmedabad. The latter agreed, on the undertaking that their (IIM) MBA students be allowed to visit the company so that they may get practical knowledge. Both reached an agreement.
- i. What objective of the management has been referred to at the beginning of the above paragraph? Identify it.
 - ii. The plan of Mr. Bahuguna relates to which component of management? Identify and describe the same.
 - iii. What value is being effected here?
22. As the marketing manager of a big hotel located at an important tourist destination, what societal concerns would be faced by you and what steps would you plan to take care of these concerns? Discuss.

OR

Your company has set up a food processing unit in Madikeri with a production capacity of 10000 litres of Orange juice per day. The company plans to market the Orange juice in tetra pack of 200 millilitres. Design a label for the same.

23. The workers of 'Vyam Ltd.' are unable to work on new and hi-tech machines imported by

the company to fulfil the increased demand. Therefore, the workers are seeking extra guidance from the supervisor. The supervisor is overburdened with the frequent calls of workers.

Suggest how the supervisor, by increasing the skills and knowledge of workers, can make them handle their work independently. Also state any three benefits that the workers will derive by the decision of the supervisor.

24. Explain any four points of importance of consumer protection from the point of view of the business.
25. As students of a management course, Karan and Kunal were asked to prepare a project report on the applicability of principles of management in real business situations. In order to conduct the survey, Kunal had selected an outlet of a popular chain of fast-food restaurants whereas Karan visited a nearby departmental store. When Kunal presented his report to the class, Karan realized that their observations were matching on various grounds. In both the business units, work is divided into small tasks and each is performed by a trained employee. A set of rules are predetermined and communicated to the employees for compliance and there is a fixed place for everything and all employees have been allotted individual space. Moreover, the managers encourage a spirit of mutual trust and belongingness among the employees so that the need for imposing penalties is reduced.

In the context of the above case:

- i. Identify and explain the various principles of management being described above.
 - ii. How are the principles of management different from values?
26. Explain any four points that highlight the importance of financial planning.

OR

What is meant by financial structure or capital structure of an organisation? Explain any two advantages and two limitations of it.

27. What is meant by "Functional Structure" of an organisation? State any five advantages of this form of organizational structure.
28. Explain any three elements of marketing mix.

OR

Give three distinction between marketing and selling.

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Solution

Section A

1. (b) Job Rotation

Explanation: Job Rotation is a management approach in which employees are shifted between two or more assignments or jobs in a planned manner.

2. (a) Trademark

Explanation: Trademark provides legal protection.

3. (c) Self Actualisation Need

Explanation: Self Actualisation Need: It is the highest level of need in the hierarchy of Maslow's need theory of motivation. It refers to the drive to become what one is capable of becoming.

4. (b) Consumer Protection Act, 1986

Explanation: Consumer Protection Act, 1986 seeks to protect and promote the consumer's interest through speedy and inexpensive redressal of their grievances.

5. (c) Delegation

Explanation: Elements of the delegation are:

- Authority
- Responsibility
- Accountability

Responsibility is derived from authority and accountability is derived from responsibility.

6. (a) Results

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

7. (c) Technological Environment

Explanation: The technological environment includes changes relating to scientific improvement, method of production, use of new equipment and machinery to improve the quality of products, etc. Thus it is an example of a technological environment.

8. (a) Negative Motivation

Explanation: Motivation can be either positive or negative. Negative motivation uses negative means like punishment, stopping increments, threatening etc. which also may induce a person to act in the desired way.

9. (c) Personal Selling

Explanation: Personal selling is face to face interaction with customers and it removes doubts immediately.

10. (a) Only A

Explanation: Financial planning is the process of estimating the fund requirement of a business and specifying the sources of funds. It decides how much to spend and on what to spend. Thus ensures optimal utilisation of funds.

11. (b) only ii

Explanation: Training and development is not part of selection process

OR

(c) Direct recruitment

Explanation: Direct recruitment

12. (b) investment decision

Explanation: investment decision

13. i. (c) It ensures unity of action

ii. (b) Middle-level management

iii. (c) Personal objectives

iv. (a) Directing

14. i. (d) All of the above

ii. (a) Planning sets standards for controlling

iii. (d) Both (a) and (b)

iv. (d) Huge cost

15. Planning involves deciding in advance what to do, how to do, when to do and who is going to do it. There is very little chance of deviating from the plans. There is a blind conformity with predetermined guidelines which discourages individual initiative and freedom. It is usually done by top level managers and thus rest of the organisation just have to implement it without deviating from the original plans. Thus planning reduces creativity.

16. **Management is called a multidimensional concept as it has three dimensions which are as follows:**

- i. **Management of work:** All the organizations have to perform some work such as production or sale. A work is defined with the goals that it's achieved and the method of doing so.
- ii. **Management of people:** The main asset of an organization is human labour. Managing people is extremely important. The employees have to be considered as individuals well as a team. Personal goals have to be achieved along with the firm's goal.
- iii. **Management of operations:** To achieve the goals of an organisation many operations or activities need to be conducted, such as production, sale, purchase, finance, accounting, R&D, etc. Again, management is needed to make sure that operations are accomplished efficiently and effectively.

17. a. (i) Planning

This function is evident from the lines:

"To explore and analyze different options of each and every activity that is to be undertaken by him in the future has become his habit."

(ii) Leadership

"Besides, he quickly brings his subordinates under his own influence."

- b.
 - Analysing deviations
 - Taking corrective action
- c. Vestibule training

OR

The principle of management that a manager should consider while dealing with deviations effectively is **management by exception**. It means that any attempt to control everything results in controlling nothing.

For example, A management has planned to earn a 5% profit on its annual sales. At the end of the year, the actual performance is compared with the planned performance. The profit is estimated to be a total of 4.5%. This is only a small deviation and should not be brought to the consideration of the management. However, if the deviation is of two per cent, the management must resort to taking corrective actions, as this is a huge deviation from the planned performance.

18. a. Fixed capital includes the assets and capital investments—such as property, plant, and equipment (PP&E)—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 requirements of Wooden Peripheral Pvt. Ltd. for opening new showrooms in Bangalore will be relatively less as its taking space on the lease, so only rentals have to be paid.
- Similarly, its fixed capital requirement for opening showrooms in Mumbai will be reduced as it's going to share the costs with another company through collaboration.
- b. It's true that "With an increase in the investment in fixed assets, there is a commensurate increase in the working capital requirement." Like in the above case, Wooden Peripheral Pvt. Ltd. is planning to invest in new showrooms. Consequently, its requirement of working capital will increase as it will need more money to stock goods, pay electricity bills and salaries to staff. Also, it intends to take the space for the showrooms in Mumbai on the lease so it will have to pay rentals.

OR

- i. Primary Market
Secondary Market
- ii. a. **Characteristics of Primary Market**
"Company issues prospectus called Initial Public Offer".
It is related to new issues.
"Market in which the company no particular place".
It has no particular place.
- b. **Characteristics of Secondary Market**
"If they so desire withdraw their capital".
It creates liquidity.
"However the market wherein is called stock exchange".
It has a particular place.
19. (i) It happens in case of Horizontal communication.
(ii) This type of communication is required due to following advantages:

Horizontal communication presents some distinct advantages. It decreases misunderstanding between departments working on the same project, thereby increasing efficiency and productivity. It may result in better implementation of top-level decisions because employees on lower levels are permitted to coordinate directly with each other in the implementation of the decision made at the top. Horizontal communication facilitates teamwork if a project requires tasks from different people or departments. It may also increase job satisfaction and motivation by creating more employee empowerment in communication.

20. i. The objective of setting up SEBI are outlined below:
- a. To prevent trading malpractice in the securities markets.
 - b. To protect the rights and interest of investors, and to guide and educate them.
 - c. To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers, etc. with a view to making them competitive and professional.
 - d. To regulate stock exchanges and the securities market to promote their orderly functioning.
- ii. Protective function is performed by SEBI: "The SEBI has imposed a penalty of Rs.7,269.5 crore on Pearls Agrotech Corporation Limited.

As the name suggests, the main focus of this function of SEBI is to protect the interest of investor and security of their investment.

As protective functions SEBI performs many functions e.g. checking of price rigging, prohibits insider trading, prohibits fraudulent and unfair trade practices etc.

21. i. It refers to 'Individual Objectives' of the management. It refers to the objectives to be determined with respect to the employees of the organisation.
- ii. Mr. Bahuguna's plan relates to the training of the employees. He is making use of 'internship training method'. It is that training which is imparted jointly both by the educational and business organisations to strike balance between the theoretical and practical knowledge of their members.
- iii. Realising the significance of human sentiments here humanity has been dealt with.
22. As a marketing manager of a hotel in a popular tourist city, I will have a certain societal concern-
- i. Activities of the hotel should not harm the tourist place, should not affect local and

should not cause any pollution.

ii. To maintain ethics and fair pricing of hotel rooms.

Steps: We will ensure that activities of the hotel do not harm the environment and locality, we will have a proper process for waste management, sustainable use of natural resources like water electricity, etc. and will make guest also aware of it.

We will also ensure that we charge for our room appropriately and we should not take advantage of guests in peak season by pricing room inappropriately.

OR

	TASTY	F.P.O
	Orange juice	
Nutrition Facts: Serving Size - 1 person: 1 Pack (200 mL) Amount per serving		
Calories	200	
Total fat	0g	0%
Sodium	10mg	4%
Potassium	140mg	10%
Total Energy	30g	10%
Sugars	20 g	
Vitamin C	20g	
Percent daily values are based on 1000 calories diet. Ingredients Orange Juice concentrate, water, sugar. Best before 9 months from the date of manufacturing.		
MRP	Rs 100 (inclusive of all taxes)	
Batch no.	Feb/0456	
Date of Mfg	10-03-2017	
Mfgd by : Smitha Enterprises 12/33, Madikeri 571201		
P.S. Check the seal before consumption. Consume within 1 day after opening.		

23. i. The supervisor may provide Vestibule training to the workers in order to enable them handle their work independently. Vestibule Training is a term for near-the-job

training, as it offers access to something new (learning). Vestibule training is a popular method for providing off the job training during which the trainees learn their jobs on the equipment they will be using at their actual workplace. This is usually done when employees are required to handle sophisticated machinery and equipment. A vestibule is a large entrance or reception room or area.

- ii. The benefits of imparting training to the employee are as follows:
 - a. **The economy in Operations:** Trained personnel will be able to make better and economical use of materials and type of equipments. Wastage will be low. In addition, the rate of accidents and damage to machinery and equipment will be kept to the minimum by the well- trained employees. These will lead to less cost of production per unit.
 - b. **Greater Productivity:** A well-trained employee usually shows greater productivity and higher quality of work-output than an untrained employee. Training increases the skills of the employees in the performance of a particular job. An increase in the skills usually helps to increase both the quantity and quality of output.

24. Business cannot survive or profit without consumers protection and satisfaction because of the following reasons:

- i. **Long term interest:** long term profit maximisation should be the aim of the business by retaining the consumer's interest by satisfying them with the products.
 - ii. **Business uses society's resources:** Business uses resources from the society therefore it's their responsibility to supply such products and render such services which are of consumers interest.
 - iii. **Social responsibility:** consumers are the major stockholders in the business firm and this holds the responsibility of the business to supply good quality products and reasonable prices to consumers.
 - iv. **Moral Justification:** It is the moral duty of any business firm to take care of their consumers by avoiding them from getting exploited, insecure losses and unfair trade.
25. a. The various principles of management being described above are as follows:
- i. **Principle of Division of work:** According to Fayol, "The intent of division of work is to produce more and better work for the same effort. Specialization is the most efficient way to use human effort." He advocates that this principle of division of work applies to all kinds of work both technical as well as managerial

ii. **Principle of Discipline:** Discipline refers to the obedience to organizational rules and employment agreement which are necessary for the working of the organization. According to Fayol, discipline requires good superiors at all levels, clear and fair agreements and judicious application of penalties.

iii. **Principle of Order:** According to Fayol, "People and materials must be in suitable places at the appropriate time for maximum efficiency." The principle of the order states that 'A place for everything (everyone) and everything (everyone) in its (her/his) place'. A sense of orderliness will lead to increased productivity and efficiency in the organization.

iv. **Principle of Espirit De Corps:** According to Fayol, "Management should promote a team spirit of unity and harmony among employees." A manager should replace 'I' with 'We' in all his conversations with workers to promote teamwork. This approach will give rise to a spirit of mutual trust and belongingness among team members. It will also reduce the need for using penalties.

b. The principles of management serve as a broad and general guideline for managerial decision making and action. Whereas, Values are the standards set in terms of suitability or desirability on the basis of perspective and general belief about what is right or wrong. For example, at Infosys, one of the values towards customers is "To surpass client expectations consistently".

26. Financial planning helps in determining the objectives, policies, procedures, programmes and budgets to deal with the financial activities of an enterprise. Various importance of financial planning:

i. **Helps to face the eventualities:** It forecasts the future business situations which helps in preparing alternative financial plans to face the eventual situations.

ii. **Helps in avoiding business shocks and surprises:** Proper provision regarding shortage or surplus of funds is made by anticipating future receipts and payments. Hence, it helps in avoiding business shocks and surprises.

iii. **Helps in coordination:** It helps in coordinating various business activities, such as sales, purchase, production, finance, etc.

iv. **Helps in avoiding wastage of finance:** In the absence of financial planning, wastage of financial resources may take place. This arises due to the complex nature of business operations such as, excessively over or under estimation of finance for a particular business operation. Such type of wastages can be avoided through financial

planning.

OR

Meaning of capital or financial structures: Capital structure refers to the mix between Owners fund (equity) and borrowed funds (debt). Owners fund includes share capital and retained earnings and borrowed fund includes loans and debentures.

Advantages of capital structure are:

- i. **Return-** The capital structure should give maximum return to the shareholder. An optimum capital structure will increase the wealth of the shareholders that increases in earning per share.
- ii. **Risk-** The use of debt adds to the risk of the company and shareholder. Therefore, it should be used cautiously with equity.

Disadvantages of capital structure are:

- i. **Cost and risk-** Debt and equity differ in cost and risk. As the debt involve less cost, but it is very risky as interest payment on the debt is compulsory whereas, equity is expensive securities, but these are safe securities from the company's prospects as dividend payment is not compulsory on equity. Equity dilutes the voting rights of the company.
- ii. **Fixed Operating Cost-** Debt is risky because payment of regular interest on the debt is a legal obligation of the business. In case, they fail to pay debt, security holders can claim over the assets of the company and if the firm fails to meet return of principal amount, it can even go to liquidation and at the stage of insolvency.

27. **Functional Structure:** A functional structure is an organizational design that groups similar or related jobs on the basis of functions to be performed like Production, Finance, Personnel Management, and Marketing together. In a functional structure all activities of similar nature are grouped and departments are created on the basis of specified functions to be performed. Each department has a coordinating head and can be further divided into separate sections. Each department is independently accountable for the lapse in the activities to be performed.

The Advantages of Functional Structure are as follows:

- i. **Specialization:** A functional structure leads to occupational specialization due to repetitive performance of a work. Work is divided into the manageable activities so that equal burden of work is shared by the workers and overlapping of activities and

wastage of resources can be avoided. It reduces the workload and increases productivity because a particular worker performing a particular job on a regular basis.

- ii. **It Promotes Control and Coordination:** Functional structure plays important role in promoting control and coordination within a department because workers perform similar jobs. In other words, it becomes easier to assess the lapses in work performance and establishing accountability.
 - iii. **Increasing managerial efficiency:** Functional structure increases managerial and operational efficiency and thus leads to an increase in profits. Each manager is entrusted with the responsibility to supervise and control the activities of their own department and thus is not over-burdened which improves the managerial efficiency.
 - iv. **Reduction in cost:** Functional structure helps in reducing the cost because it ensures that there is no overlapping of activities and minimal duplication of effort. Due to the function specific tasks, there is no possibility of duplication of efforts.
 - v. **Training to employees:** Functional structure plays important role in providing effective training to the employees because focus is only on limited range of skills.
28. Marketing mix refers to the set of marketing tools that a firm uses to pursue its marketing objectives in a target market. The four basic elements are known as four P's-product, price, promotion and place. These are used by the management while formulating marketing plans. The various components of the marketing mix are:
- i. **Product mix:** The product mix refers to important decisions related to the product or services which are offered in the market to satisfy a want or need. Product mix involves decisions regarding developing and producing the right type of products or services for the consumers. Decisions are taken regarding product, range, quality, size, features, packaging, after sale services, branding, warranties etc. Production must satisfy consumer needs and expectations. These decisions play an important role in attracting customers to the product.
 - ii. **Price mix:** It refers to important decisions related to price levels, pricing strategy and price policies of an organisation. Price is the amount of money paid by a buyer (or received by a seller) in consideration of the purchase of a product or a service. It plays an important role in the marketing of goods. It is often used as a regulator of product's demand and act as an effective tool during stiff competition. Price affects the revenue and profits of a firm. It is a very crucial element of the marketing mix as

customers are highly price-sensitive and the level of price affects the level of demand.

- iii. **Place mix:** It includes activities that make firm's products available to the target customers. It includes decisions about channels of distribution, means of transportation, warehousing, inventory control, etc. Place mix is concerned with linking the sellers and buyers. The choice of channels of distribution depends on the nature of the product, competition, willingness of middlemen and producer's financial resources.
- iv. **Promotion mix:** It refers to informing the customers about the product and persuading them to purchase these products. This job is done by the company through the medium of advertisement, personal selling, sales promotion and public relations. Decisions with regard to all these factors directly influence the sale of the product.

The elements of marketing mix must work together and support each other to create the total effect i.e. create the desired market position.

OR

BASIS FOR COMPARISON	SELLING	MARKETING
Meaning	Selling concept is a business notion, which states that if consumers and businesses remain unattended, then there will not be ample sale of organization's product.	Marketing concept is a business orientation which talks about accomplishing organizational goals by becoming better than others in providing customer satisfaction.
Associated with	Compelling consumer's mind towards goods and services.	Directing goods and services towards consumer's mind.
Starting point	Factory	Target Market
Focuses on	Product	Customer needs
Perspective	Inside-out	Outside-in
Essence	Transfer of title and possession	Satisfaction of consumers

Business Planning	Short term	Long term
Orientation	Volume oriented	Profit oriented
Means	Heavy selling and promotion	Integrated marketing
Price	Cost of Production	Market determined