

Second Year Higher Secondary Model Examination, February 2020

Subject-BUSINESS STUDIES -SME 48 -Unofficial

Q.No	Sub Q.No	Answer key/Value Points	Score	Total										
Answer all questions from 1 to 9.Each carries 1 Score (9 X 1 =9)														
1.		(b) Recruitment	1	9										
2.		(a) Packaging	1											
3.		(c) Investment decision	1											
4.		(d) All of these	1											
5.		(b) Rule	1											
6.		(b) Stock option	1											
7.		(b) Accounting Centre	1											
8.		(b) Equity	1											
9.		SEBI (Securities Exchange Board of India)	1											
Answer any 6 questions from 10-16.Each carries 2 scores (6 X 2 = 12)														
10.		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">Match The Following</td> </tr> <tr> <td style="width: 50%;">(a) Instruction Card Clerk</td> <td>Clarifying the duty of workers</td> </tr> <tr> <td>(b) Repair Boss</td> <td style="color: red;">No matching items</td> </tr> <tr> <td>(c) Gang Boss</td> <td>(iv) Keeping machines and tools</td> </tr> <tr> <td>(d) Route Clerk</td> <td>(i) Specifying the route of production</td> </tr> </table>	Match The Following		(a) Instruction Card Clerk	Clarifying the duty of workers	(b) Repair Boss	No matching items	(c) Gang Boss	(iv) Keeping machines and tools	(d) Route Clerk	(i) Specifying the route of production	$\frac{1}{2} *$ 4=2	12
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11.		<p>Any Two:</p> <p>Coordination Integrate Group Efforts Coordination ensures unity of action Coordination is a continuous process Coordination is a pervasive function Coordination is the responsibility of all managers Coordination is a deliberate function</p>	2*1= 2											
12.		<p><u>Redressal agencies under the consumer protection act</u></p> <p>1.Supreme court 2.National Commission 3.State Commission 4.District Forum</p> <p>Describe about any one of the above.</p>	2											
13.		<p>Identification and division of work-----Departmentalisation-----Assigning duties-----Establishing reporting relationship</p>	2											
14.		<p>Any Two</p> <p><u>Importance of Understanding of Business Environment</u></p> <p>1) It helps the firm to identify opportunities and get the first mover advantage: 2) It helps a firm to identify threats and early warning signals 3) It helps in assisting in planning and policy formulation 4) Coping with changes 5) It helps in improving performance 6) Helpful in tapping and assembling resources</p>	2*1= 2											

15.	4 P's of Marketing <ul style="list-style-type: none"> ➤ Product mix ➤ Price mix ➤ Place mix ➤ Promotion mix 	4*1/2 =2	
16.	<p><i>(Explanation in one or two sentence is sufficient)</i></p> <p>(i) 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 instrument, which is used to finance the credit sales of the firm. Trade bill is issued by the seller (drawer) on the buyer (drawee) for the value of goods delivered by him. These bills are of 30 days, 60 days or 90 days maturity. When a trade bill is accepted by a commercial bank it is known as a commercial bill.</p> <p>(ii) Call Money Call money is short term finance repayable on demand; with a maturity of one day to 15 days. It is a market for extremely short period loans. Banks may borrow money from each other to maintain the minimum cash balance, called Cash reserve ratio (CRR), as required by RBI. The interest rate paid for call money loans is known as the call rate. This market is also known as "over the telephone market"</p>	2*1= 2	

Answer any 4 questions from 17-21. Each carries 3 score (4 X 3=12)

17.	<p>(i) Demonetisation</p> <p>(ii) Any Two</p> <ol style="list-style-type: none"> 1. It is a method to check tax evasion-Through this action, government indicating that tax evasion will no longer be tolerated or accepted. 2. It is a method to channelize savings into the formal financial system- It is very essential to give base loans, at lower interest rates. 3. Demonetization has been used as a tool to stabilize a currency and fight inflation 4. It is an effective method to create less-cash or cash-lite economy- This method convincing the people to shift from cash transaction to digital transactions and pay taxes honestly according to the rules prevailed in our country. 5. It is an effective method to push informal economic activity into more transparency and away from black markets. 	1 2*1= 2	12
18.	<p><u>Factors Affecting Financing Decisions (Any Three)</u></p> <ol style="list-style-type: none"> 1. Cost: The costs of raising funds through different sources are different. The finance manager always prefers the source with minimum cost. 2. Risk: The risk associated with each of the sources is different. More risk is associated with borrowed fund as compared to owners fund. Finance manager compares the risk with the cost involved and will take wise decision. 3. Floatation Cost: Higher the floatation cost, less attractive the source. Floatation cost involves brokers commission, underwriters commission, expenses on prospectus etc. 4. Cash Flow Position of the Company: A stronger cash flow position may 	3*1= 3	

		make debt financing more viable than funding through equity. 5. Control Considerations: Issues of more equity may lead to dilution of management's control over the business. Debt financing has no such implication. Companies afraid of a takeover bid would prefer debt to equity																	
19.		<p><u>Any Three</u></p> <p>The Consumer Protection Act provides for six rights of consumers. They are:</p> <p>1. Right to Safety: The consumer has a right to be protected against goods and services which are hazardous to life and health.</p> <p>2. Right to be Informed: The consumer has a right to have complete information about the product he intends to buy including its ingredients, date of manufacture, price, quantity, directions for use, etc.</p> <p>3. Right to Choose: The consumer has the freedom to choose from a variety of products at competitive prices. This implies that the marketers should offer a wide variety of products in terms of quality, brand, prices, size, etc. and allow the consumer to make a choice from amongst these.</p> <p>4. Right to be Heard: The consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or a service.</p> <p>5. Right to seek Redressal: The consumer has a right to get relief in case the product or service falls short of his expectations. The Consumer Protection Act provides a number of reliefs to the consumers including replacement of the product, removal of defect in the product, compensation paid for any loss or injury suffered by the consumer, etc.</p> <p>6. Right to Consumer Education: The consumer has a right to acquire knowledge and to be a well informed consumer throughout life. Many consumer organisations and some enlightened businesses are taking an active part in educating consumers in this respect.</p>	3*1=3																
20.		<p>Differences between Entrepreneurship and Management (Any three)</p> <table border="1"> <thead> <tr> <th>Basis</th> <th>Entrepreneurship</th> <th>Management</th> </tr> </thead> <tbody> <tr> <td>Focus</td> <td>Business start-up</td> <td>Ongoing operations of an existing business</td> </tr> <tr> <td>Status</td> <td>The entrepreneur is the owner</td> <td>Managers are usually employees</td> </tr> <tr> <td>Reward</td> <td>Profit</td> <td>Salary</td> </tr> <tr> <td>Risk Factor</td> <td>Entrepreneur is a risk taker</td> <td>Manager has no risk</td> </tr> </tbody> </table>	Basis	Entrepreneurship	Management	Focus	Business start-up	Ongoing operations of an existing business	Status	The entrepreneur is the owner	Managers are usually employees	Reward	Profit	Salary	Risk Factor	Entrepreneur is a risk taker	Manager has no risk	3*1=3	
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21.		<p>Functions of a Stock Exchange (Any three)</p> <p>1) Providing liquidity and marketability to existing securities: Main function of a stock exchange is to provide a ready and continuous market for the sale and purchase of existing securities. This provides both liquidity and easy marketability to the existing securities in the market.</p> <p>2) Determines Price of securities: It helps in determining the price of securities through the forces of demand and supply. Under the existing on line screen based electronic trading system, computer screens display constant information on prices of securities.</p> <p>3) Safety of transactions: The membership and dealings of a stock exchange are regulated by well defined existing legal frame work. Trading is run through SEBI registered stock brokers only. This ensures safety of transactions.</p>	3*1=3																

	<p>4) Enhance economic growth of a country: A stock exchange is a market in which existing securities are bought and sold. It provides liquidity to existing securities. It will attract more investors in capital market and thereby more companies can raise adequate capital through issue of shares and debentures.</p> <p>5) Provides scope for speculation: The stock exchange provides scope for speculation in a restricted and controlled manner. A certain degree of healthy speculation is necessary to ensure liquidity and price continuity in the stock market.</p> <p>7) Capital formation: An active secondary market is essential for the success of a primary market. Through primary market big business firms raise their capital.</p>		
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Answer any 4 questions from 22 to 26, each carries 4 scores.(4 X 4=16)

22.	<p>(i) Middle level</p> <p>(ii) Functions of Middle Level Management(ant three)</p> <ul style="list-style-type: none"> ➤ Implement the policy decision taken by the top management ➤ Organizing the activities of the marketing department. ➤ Suresh should selects and appoints employees for marketing department ➤ Motivating his employees based on their performance. ➤ Suresh, as a marketing manager, keep a watch on the activities of lower level managers and he should prepare their performance appraisal reports. 	<p>1</p> <p>3*1=</p> <p>3</p>	16
23.	<p>External Sources of Recruitment (any four)</p> <p>1. Direct Recruitment-Sometimes, the organizations paste notice at the gate of their office or factories stating the vacant job positions. The people who are interested in those jobs walk in for the interview. This method of recruitment is very inexpensive and is most suitable for unskilled job positions like sweeper, peon etc.</p> <p>2. Casual Callers-Qualified candidates send their bio-data to the institutions even when applications are not called for. Institutions keep a database of such unsolicited applicants and consider them for appointment when vacancies arise.</p> <p>3. Media advertising-The most common and popular method of external recruitment is advertising about the vacant job position. Advertisement in TV, news papers and journals etc.will attract a large number of applicants.</p> <p>4. Employment Exchange-Employment exchanges run by government helps to match personnel demand and supply by serving as link between job seekers and employers. It is suitable for unskilled and skilled jobs.</p> <p>5. Placement Agencies-Placement agencies provide nation-wide service of matching demand and supply of work force. These agencies invite the bio data and record from various job seekers and send them to suitable clients. These agencies charge fee for providing such service.</p> <p>6. Management Consultants-Management consultants help the</p>	<p>4*1=</p> <p>4</p>	

	<p>organizations to recruit technical, professional and managerial personnel .They specialize in middle level and top level executive placements.</p> <p>7. Campus recruitment-Sometimes the senior managers of the organizations visit various professional collages, technical institutions to get fresh graduates or the people with the latest technological know-how. The organizations prefer fresh graduates because they can be mould according to the requirement of the organization.</p> <p>8. Recommendations by the Existing Employees-Many firm encourage their employees to recommend the names of their relatives and friends to fill the vacant job position. Such appointments are usually done at lower levels.</p> <p>9. Web publishing-In internet there are certain websites specifically designed to provide information regarding job seekers and companies which have vacant job position. These websites can be visited by job seekers as well as companies.Example:Naukri.com, Monster.com etc.</p>		
24.	<p>(i) Non-Financial Incentives: All the needs of individuals are not satisfied by money alone. Psychological, social and emotional factors also play important role in providing motivation. Non -financial incentives mainly focus on these needs.</p> <p style="text-align: center;">OR</p> <p>(i) Job security: Employees want their job to be secure. They want certain stability about future income and work so that they do not feel worried on these aspects and work with greater zeal. However, there is one negative aspect of job security. When people feel that they are not likely to lose their jobs, they may become lazy.</p> <p>(ii)</p> <p>1. Status: In the organisational context, status means ranking of positions in the organisation. The authority, responsibility, rewards, recognition, perquisites and prestige of job indicate the status given to a person holding a managerial position. Psychological, social and esteem needs of an individual are satisfied by status given to their job.</p> <p>2. Career Advancement Opportunity: Every individual wants to grow to the higher level in the organisation. Managers should provide opportunity to employees to improve their skills and be promoted to the higher level jobs. Appropriate skill development programmes, and sound promotion policy will help employees to achieve promotions.</p>	1	3*1=3
25.	<p>Branding:</p> <p>A brand is the identification of a product. It can be in the form of name, symbol, design etc.Examples Close-up, Colgate, Fruity, Bata etc.The process of giving a name or a symbol to a product is called branding. Branding helps in identifying and distinguishing ones product from the competitor's products.</p>	2	

	<p>Qualities of a good brand name (any two)</p> <ol style="list-style-type: none"> Brand name should be short and simple: The brand name should be short and simple. It should be easy to pronounce, spell, recognize and remember. Example Pepsi,Lux,Fanta,Innova etc Suggest product's benefits: A brand name should suggest the product's benefits and qualities and should be appropriate to its function. Example 'Ujala' suggests brightness, Reliance, Dairy Milk, Amul, Hair and Care suggests care of hairs etc. The brand name should be unique and distinctive: The brand name should be unique and should not lose its identity. Example Vicks,Jeep,Lux etc Meaningful: The brand name should be meaningful from the view points of other languages and culture. It should not be offensive and inappropriate in other languages. Legal protection: The brand name should be capable of being registered and protected legally. 	<p>2*1= 2</p>	
26.	<p>Any Four</p> <p>Modern techniques of controlling are those which are of recent origin and are comparatively new in management literature. These techniques provide a refreshingly new thinking on the ways in which various aspects of an organisation can be controlled.</p> <ol style="list-style-type: none"> Return on Investment (RoI) is a useful technique which provides the basic yardstick for measuring whether or not invested capital has been used effectively for generating reasonable amount of return. RoI can be used to measure overall performance of an organisation or of its individual departments or divisions. It can be calculated as under. Ratio analysis: It refers to the analysis of financial statements such as profit and loss account and balance sheet of a business organization through the computation of ratios. Most common ratios are liquidity. Responsibility Accounting: Responsibility accounting is a system of accounting in which different sections, divisions and departments of an organisation are set up as 'Responsibility Centres'. The head of the centre is responsible for achieving the target set for his centre. Responsibility centers may be of –Cost centres, profit centres, revenue centres, and investment centres. Management Audit: Management audit refers to systematic appraisal of the overall performance of the management of an organisation. The purpose is to review the efficiency and effectiveness of management and to improve its performance in future periods. PERT and CPM <p>PERT (Programme Evaluation and Review Technique) and CPM (Critical Path Method) are important network techniques useful in planning and controlling. These techniques deal with time scheduling and resource allocation for these activities and aims at effective execution of projects within given time schedule and structure of costs.</p>	<p>4*1= 4</p>	

Answer any 3 question from 27 and 30 carries 5 scores.(3X 5=15)

27.	<p>(i) No, Applicable to specialised situations</p> <p>(ii) Techniques of Scientific Management(Any three) (Take the required note for 4marks)</p> <p>1. Functional Foremanship In this technique Taylor suggested the division of factory into two departments-Planning Department and Production Department. Here, 'Planning in charge' can concentrate only on planning the job of workers and 'production in charge' can concentration only on execution of job. Taylor said foreman must be intelligent, educated, energetic, honest and profession expert. All these qualities can't be found in one person so Taylor stressed on having minimum eight experts (Foremen),four under each department to order and guide workers.</p> <p>2. Standardization and Simplification of Work Standardisation refers to the process of setting standards for every business activity, i.e standardization of process, raw materials,time,product etc.Standardisation does not mean only quality standards but it refers to setting up standards for size, type, weights and quality of product. Simplification aims at eliminating unnecessary diversity of products.</p> <p>3. Work Study: Work study is a systematic, objective oriented, analytical and critical assessment of the performance of workers in various operations in a workshop. Its various aspects are: (a) Method study (b) Motion Study (c) Time Study (d) Fatigue Study</p> <p>3(a) Method Study Method study is a technique to know the one best way of doing a particular job.Rigt from the procurement of raw materials till the final product delivery to the ultimate consumer all the activities involved come under method study. The objective of method study is to cost of production and improve the quality level of customer satisfaction.</p> <p>3 (b) Motion Study Motion study refers to the study of various movements, like sitting, standing, holding, turning, changing position etc., of workers, while performing a particular job. The main objective of this study is to identify the motions which are productive, incidental and unproductive. This study helps in eliminating the unnecessary movements as to complete a given task in less time thereby increasing the efficiency.</p> <p>3 (c) Time Study Time study determines the standard time taken by a workman to perform a given task. The standard time is fixed by taking several readings of a specific task. Its purpose is to decide how much time is</p>	<p>½</p> <p>3*1.5 =4.5</p>	15
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	<p>normally required by the workers to perform a certain job and thus to determine the number of workers to be employed for a fair day's work. It also helps in calculating labour costs and framing suitable incentive schemes.</p> <p>4. Differential Piece Wage System</p> <p>Differential piece rate system is a system of wages' payment in which efficient and inefficient workers are paid at different rates. Taylor has suggested two types of wages for similar work. Higher wages for efficient workers & lower wages for inefficient workers.</p>		
28.	<p>Features of Planning (any five)</p> <p>1. Planning focus on achieving objectives</p> <p>Planning seeks to achieve certain objectives and all plans are linked to with the goals of the organization. Planning starts with the determination of objectives .Planning identifies the action that would lead to the desired results quickly and economically. Planning has no meaning unless it contributes to the achievement of predetermined organizational goals.</p> <p>2. Planning is a primary function of management</p> <p>Planning is the primary or first function to be performed by every manager. No other function can be executed by the manager without performing planning function because objectives are set up in planning and other functions depend on the objectives of the company.</p> <p>3. Planning is pervasive</p> <p>Planning is required at all levels of management. It is not an exclusive function of top management or of any particular department. But the scope of planning differs at different levels and among different departments.</p> <p>4. Planning is continuous</p> <p>Planning is a never ending or continuous process. Plans are prepared for a specific period of time, may be for a month, a quarter, or a year. At the end of that period there is need for a new plan to be drawn on the basis of new requirements and future conditions. Hence, planning is a continuous process.</p> <p>5. Planning is futuristic (Forward-looking)</p> <p>Planning is a futuristic function. Planning is never done for the past. Planning is thinking in advance what is to be done, when it is to be done, where it is to be done, and who is to be done. In other words, planning relates to future.</p> <p>6. Planning is a mental exercise</p> <p>Planning is a mental exercise involving creative thinking and imagination. Planning is not guesswork but involves logical and systematic thinking.</p>	5*1=5	

29.	<p>Any Five</p> <p style="text-align: center;">Delegation Vs Decentralisation</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;">Basis</th> <th style="width: 40%;">Delegation</th> <th style="width: 40%;">Decentralisation</th> </tr> </thead> <tbody> <tr> <td>Nature</td> <td>Delegation is a compulsory act because no individual can perform all tasks on his own</td> <td>Decentralisation is an optional Policy decision. It is done at the discretion of the top management</td> </tr> <tr> <td>Scope</td> <td>It has narrow scope as it is limited to superior and his immediate subordinate</td> <td>It has wide scope as it implies extension delegation to the lowest level of management</td> </tr> <tr> <td>Purpose</td> <td>To reduce the burden of the manager</td> <td>To increase the role of the subordinates in the organisation by giving them autonomy</td> </tr> <tr> <td>Grant of authority</td> <td>The authority is granted by one individual to another</td> <td>It is a systematic act which takes place at all levels and at all functions in an organisation</td> </tr> <tr> <td>What is?</td> <td>Technique of management</td> <td>Philosophy of management</td> </tr> <tr> <td>Requirement</td> <td>Yes, it is very necessary</td> <td>No, it is an optional philosophy</td> </tr> <tr> <td>Freedom of action</td> <td>Very little freedom to the subordinates</td> <td>Considerable freedom to the subordinates</td> </tr> </tbody> </table>	Basis	Delegation	Decentralisation	Nature	Delegation is a compulsory act because no individual can perform all tasks on his own	Decentralisation is an optional Policy decision. It is done at the discretion of the top management	Scope	It has narrow scope as it is limited to superior and his immediate subordinate	It has wide scope as it implies extension delegation to the lowest level of management	Purpose	To reduce the burden of the manager	To increase the role of the subordinates in the organisation by giving them autonomy	Grant of authority	The authority is granted by one individual to another	It is a systematic act which takes place at all levels and at all functions in an organisation	What is?	Technique of management	Philosophy of management	Requirement	Yes, it is very necessary	No, it is an optional philosophy	Freedom of action	Very little freedom to the subordinates	Considerable freedom to the subordinates	5*1= 5	
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30.	<p>Staffing Process (Any five)</p> <p>1. Estimating the Manpower Requirements</p> <p>It is process of determining the number and types of staff required by an organisation. Manpower planning can be divided into two parts- qualitative aspect and quantitative aspect. Through qualitative aspects of manpower planning, management tries to ensure a fair number of staff in each department. Through qualitative aspect analysis, the quality and characteristics required for employees to perform various jobs.</p> <p>2. Recruitment</p> <p>Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organisation. In other words, recruitment means discovering the source of employees. Recruitment is called a positive process because it encourages maximum number of people to apply for jobs.</p> <p>3. Selection</p> <p>Selection is the process of choosing the best person for a particular job. Selection starts where recruitment ends. Selection is a negative process as it involves rejection of unsuitable candidates. The selection is done through a process, which involves test, interviews etc.</p> <p>4. Placement and orientation</p> <p>Placement refers to the posting of the selected employees in the post for which he is selected. After selection, the employee is given appointment letter and is asked to occupy the vacant job position. This is called posting.</p> <p>Orientation refers to introducing the selected employee to his superiors, subordinates and colleagues and familiarising him with the rules and policies of the organisation.</p> <p>5. Training and Development</p> <p>Training means giving expertise. Training refers to the process by which the aptitude, skills and abilities of employees to perform specific jobs are improved. It is the art of increasing the knowledge and technical skills of an employee for doing a particular job efficiently.</p> <p>Development is a much wider concept compared to training. Where training aims increasing one's skills and abilities to do a particular job,</p>	5*1= 5																									

	<p>developments aims at the overall development of a person and equips him to handle higher jobs of the organisation in future.</p> <p>6. Performance Appraisal Performance appraisal means evaluating an employee's current/past performance as against certain pre-determined standards. It is examining whether an employee's performance is according to the predetermined standards.</p> <p>7. Promotion and career planning Promotion refers to the shifting of an employee from a lower position to a higher position with higher status, greater responsibilities, better facilities and better pay. Promotions are an integral part of people's career.</p> <p>8. Compensation Compensation refers to all forms of pay or reward given to the employees. It is the reward for the efforts of employees. It may be direct financial payments like wages, salaries, incentives, commissions, bonus etc. And indirect payments like employer paid insurance, medical facilities, travelling facilities etc.</p>		
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Answer any 2 questions from 31 to 33, each carries 8 score (2 X 8=16)

31.	<p><u>Factors affecting the Requirement of Fixed Capital</u></p> <p>1. Nature of business The nature of business determine how much fixed capital is required.eg,a manufacturing concern needs more fixed capital as compared to a trading concer,as trading company does not need plant, machinery etc.</p> <p>2. Scale of operations A larger organization operating at a higher scale needs bigger plant, more space etc.and therefore requires more fixed capital as compared to small organization.</p> <p>3. Technique of production Companies using capital intensive techniques require more fixed capital whereas companies using labour intensive techniques require less capital. In capital intensive organization they require more fixed capital to purchase machinery, construct building etc.</p> <p>4. Growth prospects Higher growth of an organization at present as well as anticipated future requires higher investment in fixed assets and they require larger fixed capital.</p> <p>5. Diversification When a firm diversifies its activities, requirements of fixed capital will increase. It requires more investment in fixed assets for the new project.</p> <p>6. Technology up gradation In certain industries, assets become obsolete very soon, eg, computers.So their replacement also becomes due faster. So they require more fixed capital to replace old fixed assets like machinery, computers etc.</p> <p>7. Financing alternatives An enterprise which procures fixed assets on lease requires lesser fixed capital than on outright purchase.</p>	8	16
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	<p>8. Level of collaboration</p> <p>By collaborating with others, a firm uses another's facility or jointly establishes a facility for common use. Such collaboration reduces the investment in fixed assets for each one of the participants.</p> <p>Eg..Banks share ATM facility, Telecom companies mobile tower sharing etc</p>		
32.	<p><u>Formal Communication Networks</u></p> <p>Formal communication flows through official channels designed in the organisation chart. This communication may take place between a superior and subordinate. Important formal communication networks are:</p> <p>(i) Single chain: This network exists between a supervisor and his subordinates. Since many levels exist in an organization structure, communication flows from every superior to his subordinate through single chain.</p> <p>(ii) Wheel: In wheel network, all subordinates under one superior communicate through him only as he acts as a hub of the wheel. The subordinates are not allowed to talk among themselves.</p> <p>(iii) Circular: In circular network, the communication moves in a circle. Each person can communicate with his adjoining two persons. In this network, communication flow is slow.</p> <p>(iv) Free flow: In this network, each person can communicate with others freely. The flow of communication is fast in this network.</p> <p>(v) Inverted: In this network, a subordinate is allowed to communicate with his immediate superior as well as his superiors superior. However, in later case, only prescribed communication takes place.</p> <p><u>Informal Communication Networks</u></p> <p>Communication that takes place without following the formal lines of communication is said to be informal communication. 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 in utter disregard to the levels of authority. Grapevine communication may follow different types of network. They are:</p> <p>1. Single strand network –Here, each person communicates to the other in sequence.</p> <p>2. Gossip network–Here, each person communicates with all on nonselective basis. 3. Probability network –In probability net work, the individual communicates randomly with other individual.</p> <p>4. Cluster network: Here, the individual communicates with only those people whom he trusts.</p>	8	
33.	<p><u>Pricing</u></p> <p>Price refers to the value that is put for a product. Pricing is the process whereby a business sets the price at which it will sell its products and services. It depends on costs of production, segment targeted, ability of the market to pay, competition and other direct and</p>	8	

indirect factors. Price is the crucial element of marketing mix because customer is very sensitive to this element. Little variation in the price may shift your customer to competitor's product.

Factors affecting price determination

The following factors must be taken into consideration while determining the price of the product:-

1. **Cost of the product** – The price of the product is affected by its cost. The price must cover all production cost and fair return of profit.
2. **Extent of competition in the market** – When a firm does not face any competition then it can enjoy complete freedom in fixing the price. If there is competition in the market, the price must be fixed by keeping in mind the price of competitors product.
3. **Customer demand** – If the demand of the product is inelastic the marketer can charge higher price without much loss of the market demand. If the demand is elastic, a small change in the price changes the demand by big magnitude (extent).
4. **Government and legal regulation** – In India the government controls the prices of certain products, such as edible oil, sugar, medicine etc, in the public interest. In such situation, the firm will have to follow the price policy of the government.
5. **Objective of the firm** – What is the objective of firm is a very important factor which helps in deciding the price. For example, if the objective of company is profit maximization, then generally high price is fixed whereas the companies having the objective sales maximization prefer low price to increase the sales and capture a big share in the market.
6. **Marketing methods used** – Price determination is also affected by the distribution system, quality of salesmen employed, the type of packaging etc. For example, if a company provides free home delivery of goods, it can fix a relatively higher price for its product.

