

# BUSINESS STUDIES

*Time allowed : 3 hours*

*Maximum Marks : 100*

## ***General Instructions:***

- 1. Answer to questions carrying 1 mark may be from one word to one sentence.*
- 2. Answer to questions carrying 3 marks may be from 50 - 75 words.*
- 3. Answer to questions carrying 4 - 5 marks may be about 150 words.*
- 4. Answer to questions carrying 6 marks may be about 200 words.*
- 5. Attempt all parts of question together.*

## **QUESTION PAPER CODE 66/1/1**

1. Your grandfather has retired as the Director of a manufacturing company. At which level of management was he working? Different type of functions are performed at this level. State anyone function. 1
2. What is meant by management? 1
3. What is meant by principles of management? 1
4. State anyone principle of scientific management. 1
5. "The understanding of business environment helps the managers to identify 'threats'." What is meant by 'threats' here? 1
6. 'Business environment includes both 'specific and general forces.' List any four specific forces. 1
7. Explain in one sentence how direction initiates action in management. 1
8. Why it is said that "controlling is a continuous activity" ? 1
9. What is important while analyzing deviations in controlling? 1
10. Define Financial Management. 1

11. Explain any two impacts of Government policy changes on Business and Industry. 3
12. Differentiate between 'Policy' and 'Rule' as types of Plans. 3
13. Why is staffing considered an important function of management in all types of organisations ? State any three reasons. 3
14. Explain the concept of 'Motivation' and 'Leadership'. 3
15. Explain any two functions of 'marketing'. 3
16. State any four features of planning. 4
17. "If we delegate the authority, we multiply it by two, if we decentralize it, we multiply it by many." In the light of this statement explain any four points of importance of decentralization. 4
18. What is meant by 'Budgetary Control' as a technique of controlling? State any three advantages of it. 4
19. What is meant by 'Money Market' ? Explain any two instruments used in Money Market. 4
20. 'In to-day's commercial world, the Stock-Exchange performs many vital functions which leads the investors towards positive environment.' Explain how by giving any four reasons. 4
21. "Management is regarded as an Art by some, as Science or as an inexact Science by others. The truth seems to be somewhere in between." In the light of this statement explain the true nature of management. 5
22. Explain any two techniques of Taylor's Scientific Management. 5
23. "Internal sources of recruitment are better than external sources of recruitment." Explain any five reasons in support of this statement. 5
24. 'Determining the relative proportion of various types of funds depends upon various factors.' Explain any five such factors. 5

25. What is meant by 'Brand Name' ? State any four characteristics of a good 'Brand Name'. 5
26. What is meant by 'Functional Structure' of an organisation? State any five advantages of this form of organizational structure. 6

**OR**

What is meant by 'Formal Organisation' ? State any five advantages of this form of organisation.

27. Explain any four semantic barriers of communication. 6

**OR**

Explain the role of supervision as an element of directing function of management.

28. "Sound Financial Planning is essential for the success of any business enterprise." Explain this statement by giving any six reasons. 6

**OR**

You are the Financial Manager of a newly established company. The Directors have asked you to determine the amount of working capital requirement for the company. Explain any four factors that you will consider while determining the working capital requirement for the company.

29. Name the element of Marketing-mix in which a set of firms and individuals creates possession, place and time utility and helps in market offering. Also explain any five important functions performed by this element. 6

**OR**

Identify and explain the promotional tool of Marketing-mix which plays a persuasive, service and informative role and thereby link a business firm to its customers. Also explain by giving any four reasons how this tool helps in increasing the sales of businessmen.

30. Reena purchased one litre of pure Deshi Ghee from a shopkeeper. After using it she had a doubt that it is adulterated. She sent it for a laboratory test which confirmed

that the Ghee is adulterated. State any six reliefs available to Reena, if she complains and the consumer court is satisfied about the genuineness of the complaint.

6

**OR**

Prakhar purchased an ISI mark electric iron from 'Bharat Electricals'. While using he found that it was not working properly. He approached the seller and complained for the same. The seller satisfies Prakhar by saying that he will ask the manufacturer to replace this iron. The manufacturer refused to replace and Bharat Electricals decided to file a complaint in the consumer court.

Can 'Bharat Electricals' do this? Why? Also explain 'who is a consumer' as per Consumer Protection Act, 1986.

**QUESTION PAPER CODE 66/1**

1. Your grandfather has retired from an organisation in which he was responsible for implementing the plans developed by the top management. At which level of management was he working? State one more function performed at this level. 1
2. List any two social objectives of Management. 1
3. State anyone reason why 'Principles of Management' are important. 1
4. Give the meaning of 'Mental Revolution' as suggested by F.W. Taylor. 1
5. "The understanding of Business Environment enables the firm to identify opportunities." What is meant by 'opportunities' here? 1
6. Business Environment includes both 'specific and general' forces'. List any four general forces. 1
7. Explain in one sentence how direction is an executive function of Management. 1
8. Why is it said that "controlling is looking back" ? 1
9. What should be the 'focus point' for a manager while controlling, as controlling at each and every step is not possible? 1
10. Define Financial Management. 1

11. Explain 'Increasing competition' and 'More demanding customers' as impact of Government policy changes on Business and Industry. 3
12. Differentiate between 'Objective' and 'Strategy' as types of plans. 3
13. "External sources of recruitment are considered better than internal sources." Give any three reasons in support of this statement. 3
14. Explain any three qualities of a good leader. 3
15. Explain the role of marketing in a firm. 3
16. "Planning is an important function of Management." State any four reasons. 4
17. "Organisation is the harmonious adjustment of specialised parts for the accomplishment of some common purpose or purposes." In the light of this statement explain any four points of importance of organising.. 4
18. "There is a close and reciprocal relationship between planning and controlling." Explain the statement. 4
19. What is meant by 'Primary Market'? Explain any two methods of floating new issues in the Primary Market. 4
20. "Financial market plays an important role in the allocation of scarce resources in an economy by performing many important functions." Explain any four such functions. 4
21. "Management is a profession like medical or legal profession." Do you agree with this statement? Give any five reasons in support of your answer. 5
22. Explain Fayol's principles of 'equity' and 'order' with examples, 5
23. Explain in brief the various steps involved in the process of staffing. 5
24. "Determining the overall cost of capital and the financial risk of the enterprise depends upon various factors." Explain any five such factors. 5
25. What is Packaging? State any four functions of Packaging. 5
26. What is meant by 'Divisional Structure' of an organisation? For which type of business

enterprises is this structure most suitable? State any four advantages of this form of organisational structure. 6

**OR**

What is meant by 'Informal organisation' ? State any three advantages and any two disadvantages of this form of organisation.

27. Explain any four non-financial incentives. 6

**OR**

Explain any four psychological barriers of communication.

28. "Sound Financial Planning is essential for the success of any business enterprise." Explain this statement by giving any six reasons. 6

**OR**

You are a Finance Manager of a newly established company. The Directors have asked you to determine the amount of Fixed Capital requirement for the company. Explain any four factors that you will consider while determining the Fixed Capital requirement for the company.

29. Name the element of marketing-mix in which a set of firms and individuals creates possession, place and time utility and helps in market offering. Also explain any five important functions performed by this element. 6

**OR**

Identify and explain the promotional tool of marketing-mix which plays a persuasive, service and informative role and thereby links a business firm to its customers. Also explain by giving any four reasons how this tool helps in increasing the sales of businessmen.

30. Reena purchased one litre of pure Deshi Ghee from a shopkeeper. After using it she had a doubt that it is adulterated. She sent it for a laboratory test which confirmed that the Ghee is adulterated. State any six reliefs available to Reena, if she complains and the Consumer Court is satisfied about the genuineness of the complaint. 6

**OR**

Prakhar purchased an ISI mark electric iron from 'Bharat Electricals'. While using he found that it was not working properly. He approached the seller and complains for the same. The seller satisfies Prakhar by saying that he will ask the manufacturer to replace this iron. The manufacturer refused to replace and 'Bharat Electricals' decided, to file a complaint in the Consumer Court.

Can 'Bharat Electricals' do this? Why ? Also explain 'who is a consumer' as per Consumer Protection Act, 1986.

## Marking Scheme ó Business Studies

### *General Instructions*

1. The marking scheme carries only suggested value points for the answer. These are only guidelines and do not constitute the complete answer. The students can have their own expression and if the expression is correct, the marks be awarded accordingly.
2. Evaluation is to be done as per instructions provided in the marking scheme.
3. If a question has parts, please award marks on the right hand side for each part. Marks awarded for different parts of the question should then be totalled up and written in the left hand margin.
4. If a question does not have any parts, marks be awarded in the left hand margin.
5. If a candidate has attempted a question twice, marks obtained in the question attempted first should be retained and the other answer should be scored off.
6. In questions having options, if an examinee attempts both the options, assess the choice attempted first.
7. In a question. if two features/ characteristics/ points are asked but an examinee writes more than two features/ characteristics/ points, say five, of which first is correct, second is incorrect, the first two should be assessed and the remaining should be ignored.
8. It is expected that the marking scheme should be followed objectively to ensure quality evaluation, For instance. if an examinee scores 30 marks, then the mark should not be inflated to 33 simply to pass him/her.
9. Marks should be awarded keeping in view the total marks of a particular question and not the total marks of the question paper. For example. if one mark is given to a 3 marks question even if nothing is correct, then that one mark constitutes 33% of the total marks for this answer.
10. A full scale of marks 1-100 has to be used. Please do not hesitate to award full marks if the answer deserves it. Similarly, wherever an examinee writes an answer up to the mark, his/ her marks should not be deducted unnecessarily.



**EXPECTED ANSWERS/VALUE POINTS**

- 1 Q. Your grandfather has retired as the Director of a manufacturing company. At which level of management was he working? Different type of functions are performed at this level. State any one function.**

**Ans.** Top level management

Functions of the top level of management: (any one)

1. To co-ordinate the activities of different departments.
2. To be responsible for welfare and survival of the organisation.
3. To analyse the business environment and its implications for the survival of the firm.
4. To formulate overall organisational goals and strategies for their achievement.
5. They are responsible for all the activities of the business and for its impact on the society.

**mark for  
identifying  
the level  
+  
mark for  
the function  
+  
=  
1 mark**

- 2. Q. What is meant by management?**

**Ans.** Management is the process of designing and maintaining an environment in which individuals working together in groups efficiently accomplish selected aims.

**1 mark**

**OR**

Management is planning, organising, staffing, directing and controlling the activities of an organisation.

**(Or any other correct meaning.)**

- 3 Q. What is meant by principles of management?**

**1 mark**

**Ans.** Principles of management are broad and general guidelines for decision making and behaviour of managers.

- 4 Q. State any one principle of scientific management.**

**Ans.** Principles of scientific management: **(any one)**

1. Science, not rule of thumb advocates that there is only one best method

to maximise efficiency and this method should substitute 'rule of thumb' throughout the organisation.

2. Harmony, not discord advocates that there should be complete harmony between management and the workers.
3. Co-operation, not individualism states that competition should be replaced by co-operation. **1 mark**
4. Development of each and every person to his or her greatest efficiency or prosperity states that each person should be scientifically selected, placed and trained to ensure the greatest efficiency and prosperity for both the company and the workers.

**5 Q. The understanding of business environment helps the manager to identify 'threats'. What is meant by 'threats' here? **1 mark****

**Ans.** Threats refer to the external environment trends and changes that will hinder a firm's performance.

**6 Q. Business Environment includes both 'specific and general forces'. List any four specific forces. **mark for two correct forces****

**Ans.** Specific forces:

1. Suppliers
2. Investors
3. Customers
4. Competitors

**= x 2  
=  
1 mark**

**(For three correct forces full credit is to be given)**

**7 Q. Explain in one sentence how direction initiates action in management. **1 mark****

**Ans.** Other functions of management prepare a setting/stage for action, directing implements it in the organisation.

**8 Q. Why is it said that 'controlling is a continuous activity'?** **1 mark**

**Ans.** Controlling is a continuous activity because it involves a constant review of actual performance for taking corrective action, if any.

**9 Q. What is important while analysing deviations in controlling? 1 mark**

**Ans.** While analysing deviations, it is important to determine the acceptable range of deviations/ Key Result areas.

**10 Q. Define Financial Management.**

**Ans.** Financial Management is concerned with management of flow of funds and involves decisions relating to procurement of funds, investment of funds in long term and short term assets and distribution of earnings to the owners.

OR

**1 mark**

Financial Management refers to planning, organising, directing and controlling the financial activities of an organisation.

**11 Q. Explain any two impacts of Government policy changes on Business and Industry.**

**Ans.** Impact of government policy changes on business and industry: (Any two)

1. Increasing competition
2. More demanding customers
3. Rapidly changing technological environment
4. Necessity for change
5. Need for developing human resources.
6. Market orientation
7. Loss of budgetary support to the public sector.

**1 mark  
for the  
heading  
+  
1 mark  
for the explan  
ation  
= 1 x 2  
=3marks**

(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)

**12 Q. Differentiate between Policy and Rule as types of plans.**

**Ans.** Differentiation between Policy and Rule

Policy:

- Policy is a general guideline which brings uniformity in decision making for achievement of predetermined objectives.
- A manager may use his discretion to interpret and apply a policy within its framework.

**1 x 2**

**=**

**3marks**

Rule

- A rule is a statement that specifies what is to be done or not to be done. It is a guide to behaviour.
- A rule does not allow for any flexibility or discretion and prescribes penalty for violation.

**13 Q. Why is staffing considered an important function of management in all types of organisations? State any three reasons.**

**Ans.** Staffing is considered an important function of management because of the following reasons: (any three):

1. It helps in discovering and obtaining competent personnel for various jobs.
2. It results in improved performance by putting right person on the right job.
3. It ensures continuous survival and growth of the enterprise through the succession planning for managers.
4. It ensures optimum utilization of human resources. It avoids disruption of work by indicating in advance the shortage of personnel.
5. It improves job satisfaction and morale of employees through objective assessment and fair reward for their contribution.
6. It avoids wastage of material, time, effort and energy.

**1 mark  
for each  
statement**

**=1x3  
=3marks**

**14 Q. Explain the concept of 'Motivation' and 'Leadership'.**

**Ans.** Motivation is the process of stimulating people to action to accomplish desired goals.  
It is an internal feeling.

Leadership is the process of influencing people so that they strive willingly and enthusiastically towards the achievement of group goals.  
It is a continuous process.

**1  
+**

**1  
=  
3marks**

**15 Q. Explain any two functions of 'marketing'.**

**Ans.** Functions of marketing: (Any two)

1. Gathering and analysing market information.

**mark for  
naming  
the**

- |                                       |  |
|---------------------------------------|--|
| 2. Marketing planning.                | <b>function</b><br><b>+</b><br><b>1 mark</b><br><b>for</b><br><b>explan-</b><br><b>ation</b><br><b>1 x 2</b><br><b>=</b><br><b>3 marks</b> |
| 3. Product designing and development. |  |
| 4. Standardisation and grading.       |  |
| 5. Packaging and labelling.           |  |
| 6. Branding.                          |  |
| 7. Customer support services.         |  |
| 8. Pricing of the product/ service.   |  |
| 9. Promotion.                         |  |
| 10. Physical distribution.            |  |
| 11. Transportation.                   |  |
| 12. Storage and warehousing.          |  |

**16 Q. State any four features of planning.**

**Ans.** Features of planning are : (Any four)

- |  |                          |
|--|--------------------------|
| 1. Planning focuses on achieving organisational objectives.  | <b>1 x 4</b><br><b>=</b> |
| 2. Planning is the primary function of management as it lays down the basis for all other functions of management. |                          |
| 3. Planning is pervasive as it is required in all organisations, at all levels and in all departments.             | <b>4marks</b>            |
| 4. Planning is continuous because a plan is framed, implemented and is followed by another plan.                   |                          |
| 5. Planning is futuristic as it involves looking ahead and preparing for the future.                               |                          |
| 6. Planning involves decision making as it involves a choice from among the various alternative courses of action. |                          |
| 7. Planning is a mental exercise as it is intellectual activity of thinking rather than doing.                     |                          |
| 8. Planning provides the basis for controlling by providing standards.   |                          |

**17 Q. If we delegate the authority we multiply it by two, if we decentralize it we multiply it by many. In the light of this statement explain any four points of importance of decentralization.**

**Ans.** In the light of above statement we can say that decentralisation results in the multiplication by many because of the following points of its importance:

(Any four)

- (i) Develops initiative among subordinates
- (ii) Develops managerial talent for the future
- (iii) Relief to top management
- (iv) Quick decision making
- (v) Facilitates growth
- (vi) Better control

**(If an examinee has not given the headings but has given the correct reasons, full credit should be given)**

**mark for heading  
+ mark for explanation  
1x4=  
4marks**

**18 Q. What is meant by Budgetary Control as a technique of controlling? State any three advantages of it.**

**Ans.** **Budgetary control** is a technique of managerial control in which all operations are planned in advance in the form of budgets and actual results are compared with budgetary standards to ensure attainment of organisational objectives.

Advantages of budgetary control: (any three)

- 1. Helps in attainment of organisational objectives.
- 2. Acts as a source of motivation
- 3. Helps in optimum utilisation of resources
- 4. Is useful in achieving co-ordination
- 5. Facilitates management by exception
- 6. Helps in fixation of responsibility

**1mark  
+  
(1 mark for each advantage  
=  
1x3=  
3marks)  
=  
1+3=  
4marks**

**19 Q. What is meant by Money Market? Explain any two instruments used in Money Market.**

**Ans.** Money market is a market for short term funds which deals in monetary assets whose period of maturity is upto one year.

**1 mark for the meaning  
+  
(1/2 mark for**

Instruments used in money market: (Any two)

1. Treasury Bill
2. Commercial Paper
3. Call Money
4. Certificate of Deposit
5. Commercial Bill

**naming the instrument + 1 mark for explanation = 1 x 2 = 3 marks)**  
**= 1 + 3 = 4 marks**

**20 Q. In to-day's commercial world, the Stock- Exchange performs many vital functions which leads the investors towards positive environment. Explain how by giving any four reasons.**

**1 mark for the heading + mark for its explanation = 1 x 4 = 4 marks**

**Ans.** Stock Exchange performs many vital functions which leads the investors towards positive environment because of the following reasons: (Any four)

1. Provides liquidity and marketability to existing securities.
2. Pricing of securities.
3. Safety of transactions.
4. Contributes to economic growth.
5. Spreads of equity cult.
6. Provides scope for speculation.

**21 Q. Management is regarded as an Art by some, as a Science or as an inexact Science by others. The truth seems to be somewhere in between. In the light of this statement, explain the true nature of management.**

**Ans.** Management is an art as well as a science though an inexact science.

**1 mark +**

Art is the skilful and personal application of existing knowledge to achieve desired results.

Management is an art because like any other art, it is a systematised body of knowledge, personalised application and is based on continuous practice.

**2 marks**

Science is a systematised body of knowledge that explains certain general truths.

**+**

Like science, management principles are derived through observation and repeated experimentation.

**2 marks**

Since management deals with human beings the outcome of these experiments are not capable of being accurately predicted.

=  
5 marks

Moreover, they have to be modified according to the given situation. Hence, it is an inexact science.

**22 Q. Explain any two techniques of Taylor's Scientific Management.**

( mark  
for naming  
+ 2 marks  
each for  
correct  
explan  
ation)  
2 x 2=  
5 marks

**Ans.** Techniques of Scientific Management: (Any two)

- (i) Functional foremanship
- (ii) Standardization and Simplification of work
- (iii) Method study
- (iv) Motion study
- (v) Fatigue study
- (vi) Time study
- (vii) Differential wage system

**23 Q. Internal sources of recruitment are better than external sources. Explain any five reasons in support of this statement.**

**Ans.** Internal sources of recruitment are better than external sources in following respects :

mark for  
the heading  
+  
mark for  
the  
explanation  
= 1 x 5  
= 5 marks

- 1. Motivates employees
- 2. Simplifies the process of selection.
- 3. No need for induction training.
- 4. Adjustment of surplus staff.
- 5. Economical source.

**(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)**

**(If an examinee has highlighted the reasons of importance of external sources by stating the limitations of internal sources, due credit be given)**



**24 Q. Determining the relative proportion of various types of funds depends upon various factors. Explain any five such factors.**

**mark for heading**

**Ans.** Following are the factors determining the relative proportion of various types of funds: (any five)

**+**

1. Cash flow position
2. Interest coverage ratio
3. Debt service coverage Ratio
4. Return on Investment
5. Cost of debt
6. Tax rate
7. Cost of equity
8. Floatation costs
9. Cost
10. Fixed operating costs
11. Risk consideration
12. Flexibility
13. Control
14. Regulatory framework
15. Stock market conditions
16. Capital structure of other companies

**mark for explanation**

**1 x 5**

**=**

**5marks**

**(If an examinee has not given the headings as above but has given the correct explanations, full credit should be given)**

**25 Q. What is meant by Brand Name? State any four characteristics of a good Brand Name.**

**1 mark for the meaning**

**+**

**( 1 mark for each characteristic**

**Ans.** Brand name is the verbal component of a brand.

Qualities of a good brand name: ( any four)

1. It should be short and easy to pronounce, spell, recognize and remember.

2. It should suggest the product benefits and qualities
3. It should be distinctive.
4. It should be adaptable to packaging and labelling requirements.
5. It should be versatile to accommodate new products. 1 x 4
6. It should be capable of being registered and protected legally. =4 marks)
7. It should have staying power. =1+4
8. It should not have different meanings in different languages and cultures. =5marks

**26 Q. What is meant by 'Functional Structure' of an organization? State any five advantages of this form of organizational structure.**

**Ans.** Functional structure is an organisational structure formed by grouping of jobs of similar nature under functions and organising these major functions as separate departments like production, finance etc.

Advantages are: (any five)

- |  |                                   |
|--|-----------------------------------|
| (a) It leads to occupational specialisation since emphasis is placed on specific functions.                      | <b>1mark for the meaning</b>      |
| (b) It promotes control and coordination within a department because of similarity in the tasks being performed. | +                                 |
| (c) It increases managerial and operational efficiency   | <b>(1 mark for each advantage</b> |
| (d) It lowers cost as it reduces duplication of effort.  | <b>1x5=</b>                       |
| (e) It makes training of employees easier as it focuses on a limited range of skills.                            | <b>5marks)</b>                    |
| (f) It ensures that different functions get due attention.   | =                                 |
|  | <b>1+5</b>                        |
|  | <b>=6 marks</b>                   |

**OR**

**What is meant by 'Formal Organisation' State any five advantages of this form of organization.**

**Ans.** Formal organisation refers to the organisation structure which is designed by the management to accomplish a particular task. **1mark for the meaning**

Advantages:

- |  |                         |
|--|-------------------------|
| (a) It is easier to fix responsibility since mutual relationships are clearly defined. | +                       |
|  | <b>(1 mark for each</b> |

- |   |                                 |
|---|---------------------------------|
| (b) It avoids duplication of effort since there is no ambiguity in the role that each member has to play.       | <b>advantage</b><br><b>1x5=</b> |
| (c) It maintains unity of command through an established chain of command                                       | <b>5marks)</b><br><b>=</b>      |
| (d) It leads to accomplishment of goals by providing a framework for the operations to be performed.            | <b>1+5</b><br><b>=6 marks</b>   |
| (e) It provides stability to the organisation because there are specific rules to guide behaviour of employees. |                                 |

**27 Q Explain any four semantic barriers of communication.**

**Ans.** Semantic barriers of communication: (Any four)

1. Badly expressed message.
2. Symbols with different meanings.
3. Faulty translations.
4. Unclear assumptions.
5. Technical jargon.
6. Body language and gesture decoding.

**mark for**  
**naming the**  
**barrier**  
**+**  
**1 mark for**  
**the explan**  
**ation**  
**=**  
**1 x 4**  
**=6marks**

**OR**

**OR**

**Explain the role of supervision as an element of directing function of management.**

**Ans.** Role of supervision: (Any six)

1. Involves issuing instructions.
2. Facilitates control.
3. Optimal utilisation of resources.
4. Maintenance of discipline.
5. Timely feedback.
6. Improves communication.
7. Provides motivation

**mark for**  
**heading +**  
**mark for**  
**explan-**  
**ation**  
**1x6=**  
**6marks**

**28 Q. Sound Financial Planning is essential for the success of any enterprise. Explain this statement by giving any six reasons.**

Sound financial planning is essential for the success of any business enterprise because of the following reasons: (any six)

- (i) It helps the company to prepare for the future.
- (ii) It helps in avoiding business shocks and surprises.
- (iii) It helps in co-ordinating various business functions. **1 x 6**
- (iv) It helps in reducing waste, duplication of efforts, gaps in planning and confusion. **=**
- (v) It links the present with the future. **6marks**
- (vi) It provides a link between investment and financing decisions.
- (vii) Financial plan serves as a control technique.
- (viii) It serves as a guide in developing a sound capital structure so as to maximise returns to the shareholders.

**OR**

**OR**

**You are the Financial Manager of a newly established company. The Directors have asked you to determine the amount of working capital requirement for the company. Explain any four factors that you will consider while determining the working capital requirement for the company.**

**Ans.** Factors affecting requirements of working capital (any four):

1. Nature of Business
2. Scale of Operations
3. Business Cycle
4. Seasonal Factors
5. Production Cycle
6. Credit Allowed
7. Credit Availed
8. Operating Efficiency
9. Availability of Raw Material
10. Growth Prospects
11. Level of Competition
12. Inflation

**mark for heading  
+  
1 mark for explanation  
1 x 4  
=  
6marks**

**29 Q. Name the element of Marketing-mix in which a set of firms and individuals creates possession, place and time utility and helps in market offering. Also explain any five important functions performed by this element.** (1 mark for naming the element + mark for naming the function + mark for explanation 1 x 5 = 5 marks) =1+5 =6 marks

**Ans.** Place mix/ Physical distribution.

Functions performed by this element: (Any five)

1. Sorting
2. Accumulation
3. Allocation/ distribution
4. Assorting
5. Product Promotion
6. Negotiation
7. Risk taking.

**OR**

**Identify and explain the promotional tool of Marketing-mix which plays a persuasive, service and informative role and there by links a business firm to its customers. Also explain by giving any four reasons how this tool helps in increasing the sales of businessmen.** (1 mark for identifying the tool + 1 mark for its explanation =1+1= 2 marks) + ( 1 mark for naming the function + mark for explanation 1 x 4 = 4 marks) =2+4 =6 marks

**Ans.** The tool is Personal Selling.

Personal selling refers to the oral presentation of message in the form of conversation with one or more prospective customers for the purpose of making sales.

The importance of personal selling to a business organisation may be described as follows: (any four)

- (i) Effective Promotional Tool.
- (ii) Flexible Tool.
- (iii) Minimises Wastage of Efforts.
- (iv) Consumer Attention.
- (v) Lasting Relationship.

- (vi) Personal Rapport.
- (vii) Role in Introduction Stage.
- (viii) Link with Customers.

**30 Q. Reena purchased one litre of pure Desi Ghee from a shopkeeper. After using it she had a doubt that it is adulterated. She sent it for a laboratory test which confirmed that the Ghee is adulterated. State any six reliefs available to Reena, if she complains and the consumer court is satisfied about the genuineness of the complaint.**

**Ans.** Reliefs available to Reena: (Any six)

1. To replace adulterated ghee.
2. To refund the price paid for the product.
3. To pay a reasonable amount of compensation for any loss or injury / sickness suffered by her due to negligence of the manufacturer.
4. To pay adequate costs to Reena.
5. To discontinue this unfair/ restrictive trade practice and not to repeat it in future.
6. Not to offer adulterated ghee for sale.
7. To withdraw adulterated ghee from sale.
8. To cease manufacture of adulterated ghee.
9. To pay any amount (not less than 5% of the value of the adulterated ghee to be credited to the Consumer Welfare Fund or any other organisation/person, to be utilised in the prescribed manner.
10. To pay punitive damages in appropriate circumstances.

**1 x 6  
=  
6marks**

**(If an examinee has given first four points of relief(1-4) full credit is to be given) (1 x4=6)**

**OR**

**Q. Prakhar purchased an ISI mark electric iron from eBharat Electricals. While using he found that it was not working properly. He approached the seller and complains for the same. The seller satisfies Prakhar by saying that he will ask the manufacturer to replace this iron. The**

**manufacturer refused to replace and Bharat Electricals decided to file a complaint in the Consumer Court.**

**Can Bharat Electricals do this? Why? Also explain who is a consumer as per Consumer Protection Act, 1986.**

**Ans.** Bharat Electricals cannot file a complaint.

This is because Bharat Electricals is not a consumer as per Consumer Protection Act 1986 because they bought the goods for re-sale/ commercial purpose.

Under the Consumer Protection Act, a consumer is defined as:

- (a) Any person who buys any goods for a consideration, which has been paid or promised, or partly paid and partly promised, or under any scheme of deferred payment. It includes any user of such goods, when such use is made with the approval of the buyer, but does not include a person who obtains goods for re-sale or any commercial purpose.
- (b) Any person who hires or avails of any service, for a consideration which has been paid or promised, or partly paid and partly promised, or under any system of deferred payment. It includes any beneficiary of services when such services are availed of with the approval of the person concerned, but does not include a person who avails of such services for any commercial purpose.

**1 mark for the answer**

**+**

**1 mark for the reason**

**+**

**4 marks for the meaning of consumer = 1+1+4 = 6marks**

**QUESTION PAPER CODE 66/1**

**EXPECTED ANSWERS/VALUE POINTS**

- 1 Q. Your grandfather has retired from an organization in which he is responsible for implementing the plans developed by the top management. At which level of management was he working? State one more function performed at this level.**

**Ans.** Middle level management.

Functions performed by the middle level managers: (Any one):

- 1. To interpret the policies framed by the top management.
- 2. To ensure that their department has the necessary personnel.
- 3. To assign necessary duties and responsibilities to the employees of their respective departments for implementation of the plan.

**mark for identifying the level**

**+**

**mark for the function**

**+**

4. To motivate employees of their respective departments to achieve the desired objectives. =  
**1 mark**

5. To co-operate with other departments for smooth functioning of the organisation.

**(or any other correct function)**

**2 Q. List any two social objectives of management.**

**Ans.** Social objectives: (Any two)

1. Using environment friendly methods of production. x 2

2. Giving employment opportunities to disadvantaged sections of the society. =  
**1 mark**

3. Providing basic amenities like schools and crèches to employees

**(or any other correct social objective)**

**3 Q. State any one reason why 'Principles of Management' are important.**

**Ans.** Principles of management are important because they : (any one)

1. Provide useful insights into real world situations enabling the managers to learn from past mistakes and conserve time by solving recurring problems quickly. **1 mark**

2. Help in optimum utilisation of resources reducing the wastages associated with trial and error approach.

3. Help in effective administration by limiting the boundaries of managerial discretion so that decisions are free from personal prejudices.

4. Help in taking scientific decisions based on facts and objective assessment of the situation.

5. Help the managers in meeting changing environment requirements because these principles can be modified according to the changes taking place in the environment.

6. Help in fulfilling social responsibility.

7. Help in management training, education and research.



- 4 Q. Give the meaning of 'Mental Revolution' as suggested by F.W.Taylor.
- Ans. Mental Revolution refers to the change in the attitude of management and workers towards one another from competition to co-operation. **1 mark**
- 5 Q. 'The understanding of Business Environment enables the firm to identify opportunities'. What is meant by 'opportunities' here?
- Ans. Opportunities refer to the positive external trends or changes that will help a firm to improve its performance. **1 mark**
- 6 Q. Business Environment includes both 'specific and general forces'. List any four general forces.
- Ans. General forces (any four):
1. Social
  2. Political
  3. Economic
  4. legal
  5. Technological.
- mark for two correct forces = x 2 = 1 mark**
- (For three correct forces full credit is to be given)
- 7 Q. Explain in one sentence how direction is an executive function of Management.
- Ans. While other functions of management prepare a setting/ stage for action, directing initiates action in the organisation. Directing is thus an executive function. **1 mark**
- 8 Q. Why is it said that 'controlling is looking back'?
- Ans. It is said that controlling is looking back because it conducts a post mortem of past activities to find out deviations from the standards. **1 mark**
- 9 Q. What should be the 'focus point' for a manager while controlling, as controlling at each and every step is not possible?
- Ans. Focus point for a manager while controlling should be the Key Result Areas. **1 mark**

**10 Q. Define Financial Management.**

Ans. Financial Management is concerned with management of flow of funds and involves decisions relating to procurement of funds, investment of funds in long term and short term assets and distribution of earnings to the owners. **1 mark**

**OR**

Financial Management refers to planning, organising, directing and controlling the financial activities of an organisation.

**11 Q. Explain 'Increasing competition' and 'More demanding customers' as impact of Government policy changes on Business and Industry.**

Ans. 'Increasing competition'

As a result of changes in the rules of industrial licensing and entry of foreign firms, competition for Indian firms has increased especially the service industries which were in the public sector. **1 marks**

'More demanding customers'

Customers now have become more demanding because they are well informed. They also have a wider choice because of increased competition and can purchase better quality of goods and services. **1 marks**  
**=**  
**3 marks**

**12 Q. Differentiate between 'Objective' and 'strategy' as types of plans.**

Ans. Objective

An objective is the end towards which all activities of the organisation are directed. An objective needs to be expressed in measurable terms and is to be achieved within a given time period.

Strategy

A strategy is a comprehensive plan for accomplishing an organisation's objectives. Whenever a strategy is formulated, the business environment needs to be taken into consideration.

**( Due credit be given for differentiation in any form)**

**3marks**

**13 Q. 'External sources of recruitment are considered better than internal sources'. Give any three reasons in support of this statement.** **mark for the heading**

Ans. External sources of recruitment are considered better than internal sources in following respects: (Any three): **+**  
**mark for**

1. Qualified personnel.
2. Wider choice.
3. Fresh talent
4. Competitive spirit.

**the  
explanation  
= 1 x 3  
= 3 marks**

**(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)**

**(If an examinee has highlighted the reasons of importance of external sources by stating the limitations of internal sources, due credit be given)**

**14 Q. Explain any three qualities of a good leader.**

**Ans.** Qualities of a good leader: (Any three)

- (a) Knowledge.
- (b) Integrity.
- (c) Initiative.
- (d) Communication skills.
- (e) Motivation skills
- (f) Self confidence
- (g) Decisiveness.
- (h) Social skills.
- (i) Physical features.

**mark for  
the heading  
+  
mark for  
the  
explanation  
= 1 x 3  
= 3 marks**

**15 Q. Explain the role of marketing in a firm.**

**Ans.** Marketing plays an important role in achieving the objectives of the firm. This is because:

Market orientation focuses the activities of an organisation on the needs and wants of the customers. This helps it in deciding what to produce and sell. The product is then designed and made available in outlets convenient to the customers and priced accordingly. It thus helps in satisfying the needs of the customer.

**3marks**

Marketing thus helps a firm to increase the profits in the long run through customer satisfaction.

**16 Q. Planning is an important function of management. State any four reasons.**

**Ans.** Importance of planning (any four):

1. Planning provides direction by stating in advance how the work is to be done.
2. Planning reduces risk of uncertainty by looking ahead and anticipating changes.
3. Planning reduces overlapping and wasteful activities by co-ordinating the activities of different divisions.
4. Planning promotes innovative ideas requiring application of mind and foresight.
5. Planning facilitates decision making by making a choice from among the alternative courses of action.
6. Planning establishes standards against which actual performance is measured.

**1 mark for each statement = 1 x 4**

**=4marks**

**(or any other correct statement of importance)**

**17 Q. Organisation is the harmonious adjustment of specialised parts for the accomplishment of some common purpose or purposes. In the light of this statement explain any four points of importance of organising.**

**Ans.** Organising is considered as an important function of management because of (Any four):

1. Benefits of specialisation.
2. Clarity in working relationships.
3. Optimum utilisation of resources.
4. Adaptation to change.
5. Effective administration.
6. Development of personnel.
7. Expansion and growth.

**mark for the heading + mark for the explanation = 1 x 4 = 4 marks**

**(or any other correct point of importance)**

**18 Q. There is a close and reciprocal relationship between planning and controlling. Explain the statement**

**Ans.** There is a close and reciprocal relationship between planning and controlling because: (Any four)

1. Controlling is blind in the absence of standards which are provided by planning;
2. Planning without controlling is meaningless as controlling ensures that the events conform to the plans.
3. Planning prescribes an appropriate course of action for achieving objectives whereas controlling evaluates whether decisions have been translated into desired actions.
4. Planning and controlling both are forward-looking as well as looking back.

**1 x 4  
= 4 marks**

**19 Q. What is meant by 'Primary Market'? Explain any two methods of floating new issues in the primary market.**

**Ans.** Primary market is a market in which new securities are issued for the first time to the investors.

**1 mark  
for the  
meaning**

The methods of floating new issues in the primary market are: (any two)

- (a) Offer through Prospectus – It is the method of floating new issues by inviting subscriptions from the public through issue of prospectus.
- (b) Offer for Sale – It is the method in which the securities are not issued directly to the public but through intermediaries like issuing houses or stock brokers.
- (c) Private Placement -It refers to the allotment of securities by a company to institutional investors and some selected individuals.
- (d) Rights Issue- It is the privilege given to existing shareholders to subscribe to new issue of shares in proportion to the number of shares they already hold.
- (e) E-IPO – It refers to issuing securities through the online system of stock exchange

**+  
( 1 mark for  
naming the  
method  
+  
1 marks for  
explanation  
= 1 x2  
=3marks)  
= 1 + 3  
= 4 marks**

**20 Q. Financial market plays an important role in the allocation of scarce resources in an economy by performing many important functions. Explain any four such functions.** **mark for the heading + mark for the explanation = 1 x 4 = 4 marks**

**Ans.** Functions of a financial Market: (Any four)

1. Mobilisation of savings and channelising them into most productive use.
2. Facilitating price discovery.
3. Providing liquidity to financial assets.
4. Reducing the cost of transactions.

**21 Q. Management is a profession like medical or legal profession. Do you agree with this statement? Give any five reasons in support of your answer.**

**Ans.** No, management is not a full fledged profession like legal and medical profession because of the following reasons (Any four):

(i) Restricted entry.

The entry to the above stated profession is restricted through a prescribed qualification. But there is no restriction on anyone being appointed as a manager in any business enterprise. So, presently this feature of profession is not present in management

**(1 mark for disagreeing with the statement) +**

(ii) Professional association.

Legal and medical professions are affiliated to a professional association like bar council and medical council which regulates entry, grants certificate of practice and formulates and enforces a code of conduct. There are several associations of practising managers in India, like the AIMA that has laid down a code of conduct to regulate the activities of their members. There is, however, no compulsion for managers to be members of such an association. So, presently this feature of profession is not present in management

**(1 mark for each reason = 1 x 4 = 4 )**

**= 1 + 4**

(iii) Ethical code of conduct.

Legal and medical professions are bound by a code of conduct which guides the behaviour of its members. AIMA has devised a code of conduct for Indian managers but there is no statutory backing for this code. So, presently this feature of profession is not present in management.

**= 5 marks**

(iv) Service motive.

The motive of legal and medical profession is to serve their client's interests by rendering dedicated and committed service. The basic purpose of management to help the organisation achieve its goals by providing good quality products at reasonable prices, thereby serving the society is being increasingly recognised. So, presently this feature of profession is not fully present in management.

**(If an examinee has not linked the answer with the statement of the question, mark to be deducted.)**

**22 Q. Explain Fayol's principles of equity and order with examples.**

**Ans. Equity:**

Fayol advocated that there should be no discrimination against anyone on account of sex, religion, language, caste, belief, nationality etc. and emphasises kindness and justice in the behaviour of managers towards the workers to ensure loyalty and devotion.

**2 marks**

+

For example- Nowadays, in multinational corporations, equal opportunities are available for everyone.

**2 marks**

**(or any other correct example)**

**(2 x 2**

Order:

**= 5marks)**

Fayol advocated that people and materials must be in suitable places at appropriate time for maximum efficiency i.e. There should be a place for everything and everyone in an organization and that thing or person should be found in its allotted place. This will lead to increased productivity and efficiency.

For example – Raw material should be available at the place prescribed for it.

**(or any other correct example)**

**23 Q. Explain in brief the various steps involved in the process of staffing**

**Ans.** The process of staffing has the following steps:

1. Estimating manpower requirements.
2. Recruitment and selection.
3. Placement and orientation.

**mark for  
naming each  
step  
+  
mark for**

4. Training, development and Performance appraisal
5. Compensation, promotion and career planning.

**explanation**  
**= 1 x 5**  
**=5marks**

**(if an examinee has not combined the steps as above but has given all the correct steps, full credit should be given)**

**( mark to be deducted if proper sequence has not been followed)**

**24 Q. Determining the overall cost of capital and the financial risk of the enterprise depends upon various factors. Explain any five such factors.**

**Ans.** Overall cost of capital and the financial risk of the enterprise depends upon the following factors (Any five):

1. Cost
2. Cost of debt
3. Cost of equity.
4. Risk
5. Floatation costs.
6. Cash flow position
7. Level of fixed operating costs.
8. Control
9. State of the capital market.
10. Interest coverage ratio
11. Debt service coverage ratio.
12. Return on Investment
13. Tax rate
14. Flexibility
15. Regulatory framework.

**mark for heading**  
**+**  
**mark for explanation**  
**1 x 5**  
**=**  
**5 marks**

**25 Q. What is Packaging? State any four functions of Packaging.**

**Ans.** Packaging refers to the act of designing and producing the container or wrapper of a product.

**1 mark for the meaning**



Functions of packaging: (Any four)

- (a) It helps in product identification.
- (b) It helps in protection of the product from spoilage, breakage, leakage damage etc.
- (c) It facilitates use of the product to the consumers through appropriate sizes and shapes.
- (d) It helps in promotion of the product as a good package attracts the attention of the people at the time of purchase.
- (e) It helps in preventing adulteration as the product is properly packed.

+  
(1 mark for each function  
= 1 x 4  
=4 marks  
= 1 + 4)  
=5marks

**26 Q. What is meant by 'Divisional structure' of an organisation? For which type of business enterprise is this structure most suitable? State any four advantages of this form of organisational structure.**

**Ans.** Divisional structure is an organisation structure comprising of separate business units or divisions.

**1 mark for the meaning**

It is suitable for those enterprises: (Any one)

- 1. Where two or more products are manufactured.
- 2. When an organisation grows and diversifies.

+  
**1 mark for suitability**

Advantages of divisional structure: (Any four)

- 1. Product specialisation helps in the development of varied skills.
- 2. It helps in the fixation of responsibility as divisional heads are accountable for profits, revenues and costs related to their departments.
- 3. It promotes flexibility, initiative and faster decision making as each division is an autonomous unit.
- 4. It facilitates expansion and growth as new divisions can be added without interrupting the existing operations

+  
**1 mark for each advantage**  
(1 x 4=  
4 marks)

=1+1+4  
**= 6marks**

**OR**

**What is meant by 'Informal organisation'? State any three advantages and any two disadvantages of this form of organisation.**

**1 mark for the meaning**

**Ans.** Informal organisation is a network of personal and social relations not established or required by the formal organisation but arising spontaneously as people associate themselves with one another.

+  
(1 mark for each advantage

Advantages of informal organisation: (Any three)

1. It leads to faster spread of information as well a quick feedback.
2. It fulfills the social needs of the members.
3. It contributes towards fulfillment of organisational objectives by compensating for inadequacies in the formal organisation.

**1 x 3 =  
3 marks)  
+  
1 mark for  
each  
disadvan  
tage**

Disadvantages of informal organisation: (Any two)

1. It leads to spread of rumours.
2. It may lead to resistance to change.
3. It pressurizes members to conform to group expectations which may be against organisational interest.

**1 x 2 =  
2 marks)  
=  
1+3+2  
= 6marks.**

**27 Q. Explain any four non financial incentives.**

Non- monetary incentives are: (Any four)

1. Status
2. Positive organisational climate.
3. Career advancement opportunity.
4. Job enrichment.
5. Employee recognition
6. Job security.
7. Employee participation.
8. Employee empowerment.

**mark for  
naming each  
incentive  
+  
1 mark for  
explan-  
ation  
1 x 4  
=  
6marks**

**OR**

**Explain any four psychological barriers of communication.**

**Ans.** Psychological barriers of communication:

1. Premature evaluation
2. Lack of attention.
3. Loss by transmission and poor retention
4. Distrust..

**mark for  
naming each  
incentive  
+  
1 mark for  
explan-  
ation  
1 x 4  
=  
6marks**

**28 Q. Sound financial planning is essential for the success of any business enterprise. Explain this statement by giving any six reasons.**

**Ans.** Sound financial planning is essential for the success of any business enterprise because of the following reasons: **(any six)**

- (i) It helps the company to prepare for the future.
- (ii) It helps in avoiding business shocks and surprises.
- (iii) It helps in co-ordinating various business functions.
- (iv) It helps in reducing waste, duplication of efforts, gaps in planning and confusion.
- (v) It links the present with the future.
- (vi) It provides a link between investment and financing decisions.
- (vii) Financial planning serves as a control technique.
- (viii) It serves as a guide in developing a sound capital structure so as to maximise returns to the shareholders.

**1 x 6  
=6marks**

**OR**

**You are a Finance Manager of a newly established company. The Directors have asked you to determine the amount of Fixed Capital requirement for the company. Explain any four factors that you will consider while determining the fixed capital requirement for the company.**

**Ans.** Factors to be considered while determining the fixed capital requirement for the company: **(Any Four)**

- |                            |                           |
|----------------------------|---------------------------|
| 1. Nature of business      | 2. Scale of operations    |
| 3. Choice of techniques    | 4. Growth prospects       |
| 5. Technology upgradation. | 6. Diversification        |
| 7. Financing alternatives  | 8. Level of collaboration |

**mark for heading  
+ 1 mark for explanation  
= 1 x 4  
=6 marks**

**(If an examinee has not given the headings but has given the correct reasons, full credit should be given)**

**29 Q. Name the element of marketing-mix in which a set of firms and individuals creates possession, place and time utility and helps in**

**(1 mark for naming the**

**market offering. Also explain any five important functions performed by this element.**

element  
+  
mark for  
naming the  
function  
+  
mark for  
explan-  
ation  
1 x 5  
=  
5 marks)  
=1+5  
=6 marks

**Ans.** Place mix/ Physical distribution.

Functions performed by this element: (Any five)

1. Sorting
2. Accumulation
3. Allocation/ distribution
4. Assorting
5. Product Promotion
6. Negotiation
7. Risk taking.

**(Or any other correct function)**

**OR**

**Identify and explain the promotional tool of marketing-mix which plays a persuasive, service and informative role and there by links a business firm to its customers. Also explain by giving any four reasons how this tool helps in increasing the sales of businessmen.**

(1 mark for  
identifying  
the tool  
+  
1 mark for  
its  
explanation  
=1+1=  
2 marks)  
+  
( mark for  
naming the  
function  
+  
mark for  
explan-  
ation  
1 x 4  
=  
4 marks)  
=2+4  
=6 marks

**Ans.** The tool is Personal Selling.

Personal selling refers to the oral presentation of message in the form of conversation with one or more prospective customers for the purpose of making sales.

The importance of personal selling to a business organisation may be described as follows (any four):

- (i) Effective Promotional Tool.
- (ii) Flexible Tool.
- (iii) Minimises Wastage of Efforts.
- (iv) Consumer Attention.
- (v) Lasting Relationship.
- (vi) Personal Rapport.
- (vii) Role in Introduction Stage.
- (viii) Link with Customers.

**30 Q. Reena purchased one litre of pure Desi Ghee from a shopkeeper. After using it she had a doubt that it is adulterated. She sent it for a laboratory test which confirmed that the Ghee is adulterated. State any six reliefs available to Reena, if she complains and the Consumer Court is satisfied about the genuineness of the complaint.**

**Ans.** Reliefs available to Reena: (Any six)

1. To replace adulterated ghee.
2. To refund the price paid for the product.
3. To pay a reasonable amount of compensation for any loss or injury / sickness suffered by her due to negligence of the manufacturer.
4. To pay adequate costs to Reena.
5. To discontinue this unfair/ restrictive trade practice and not to repeat it in future.
6. Not to offer adulterated ghee for sale.
7. To withdraw adulterated ghee from sale.
8. To cease manufacture of adulterated ghee.
9. To pay any amount (not less than 5% of the value of the adulterated ghee to be credited to the Consumer Welfare Fund or any other organisation/person, to be utilised in the prescribed manner.
10. To pay punitive damages in appropriate circumstances.

**1 x 6  
=  
6marks**

**(If an examinee has given first four points of relief(1-4) full credit is to be given) (1 x4=6)**

**OR**

**Prakhar purchased an ISI mark electric iron from ëBharat Electricalsí. While using he found that it was not working properly. He approached the seller and complains for the same. The seller satisfies Prakhar by saying that he will ask the manufacturer to replace this iron. The manufacturer refused to replace and ëBharat Electricalsí decided to file a complaint in the Consumer Court.**

**1 mark for  
the answer  
+  
1 mark for  
the reason  
+**

**Can ëBharat Electricalsí do this? Why? Also explain ëwho is a consumerí as per Consumer Protection Act, 1986.**

**Ans.** Bharat Electricals cannot file a complaint.

This is because Bharat Electricals is not a consumer as per Consumer Protection Act 1986 because they bought the goods for re-sale/ commercial purpose.

**4 marks for  
the meaning  
of consumer  
= 1+1+4  
= 6marks**

Under the Consumer Protection Act, a consumer is defined as:

- (a) Any person who buys any goods for a consideration, which has been paid or promised, or partly paid and partly promised, or under any scheme of deferred payment. It includes any user of such goods, when such use is made with the approval of the buyer, but does not include a person who obtains goods for re-sale or any commercial purpose.
- (b) Any person who hires or avails of any service, for a consideration which has been paid or promised, or partly paid and partly promised, or under any system of deferred payment. It includes any beneficiary of services when such services are availed of with the approval of the person concerned, but does not include a person who avails of such services for any commercial purpose.