

**CBSE Class-12 Business Studies**  
**Question Paper 2017 Outside Delhi Set-1**

**General Instructions:**

- Answer to questions carrying 1 mark may be from one word to one sentence.
- Answer to questions carrying 3 marks may be from 50 to 75 words.
- Answer to questions carrying 4-5 marks may be about 150 words.
- Answer to questions carrying 6 marks may be about 200 words.
- Attempt all parts of a question together.
- Question Nos. 1 to 8 are very short-answer questions carrying 1 mark each.
- Question Nos. 9 to 13 carry 3 marks each.
- Question Nos. 14 to 19 carry 4 marks each.
- Question Nos. 20 to 22 carry 5 marks each.
- Question Nos. 23 to 25 carry 6 marks each.

**Q1. Give the meaning of 'supervision' as an element of directing.**

**Ans.** Supervision implies the process of guiding and instructing the subordinates towards achieving the desired goals. In other words, it implies overseeing the work of the subordinates.

**Q2. Differentiate between 'formal' and 'informal' organisation on the basis of 'flow of communication'.**

**Ans.** The difference between formal and informal organisation on the basis of 'flow of communication' is tabulated below.

Basis of difference	Formal organisation	Informal organisation
Flow of Communication	Communication takes place through a properly defined scalar chain	Communication can take place in any direction as there is no planned communication

**Q3. Why is 'Aptitude Test' conducted in the process of selection?**

**Ans.** The Aptitude Test in the process of selection is conducted to measure an individual's potential and his capacity to develop.

**Q4. Bhagwati Enterprises is a company engaged in the marketing of air-conditioners of a famous brand. The company has a functional structure with four main functions – Purchase, Sale, Finance and Staffing. As the demand for the product grew, the company decided to recruit more employees.**

**Identify the concept which will help the Human Resource Manager to find out the number and type of personnel available so that he could decide and recruit the required number of persons for each department.**

**Ans.** The concept which will help the Human Resource Manager in finding the number and type of personnel available so that he could decide and recruit the required number of persons for each department is Workload Analysis.

**Q5. Isha Machines was a renowned name for quality sewing machines since 1960. Mr. Suresh, the owner of Isha Machines, was worried as the production had declined during the last three month. He directed the Production Manager to find out the reason. The production Manager ordered the different supervisors to prepare a performance report of the workers working under them.**

**Identify the step taken by the Production Manager that is related to one of the functions of management.**

**Ans.** The step taken by Production Manager is Measurement of Actual Performance under the controlling function of management.

**Q6. What is meant by 'Capital Structure'?**

**Ans.** Capital Structure refers to a judicious combination of the debt and equity in an organisation.

**Q7. Sika Ltd., a reputed industrial machines manufacturer, needs Rupees twenty crores as additional capital to expand the business. Mr. Amit Joshi, the Chief Executive Officer (CEO) of the company wants to raise funds through equity. The Finance Manager, Mr. Narinder Singh, suggested that the shares may be sold to investing public through**

intermediaries, as the same will be less expensive.

**Name the method through which the company decided to raise additional capital. (1)**

**Ans.** The method through which the company decided to raise additional capital is 'Offer for Sale'.

**Q8. Mansi took her niece, Ridhima, for shopping to 'Mega Stores' to buy her a bag for her birthday. She was delighted when on payment of the bag she got a pencil box along with the bag free of cost.**

**Identify the technique of sales promotion used by the company.**

**Ans.** The technique of sales promotion being used by the company is 'Product Combination'.

**Q9. Explain briefly 'Unity of Direction' and 'Order' as principles of general management.**

**Ans. (i) Unity of Direction:** According to this principle, each unit of the organisation should work towards a common objective. According to it, units having same goals should have a single head and plan. This principle helps in eliminating the overlapping of work. For example, if an organisation is engaged in the manufacturing of two products, then each should have its own separate department and divisions with their respective heads and plans.

**(ii) Order:** Orderliness principle focuses on right arrangement of things. Everything and everyone should be at their respective places, in short 'right people at right place and at right time'. This helps in carrying out the tasks smoothly. For example, if files are kept in a certain order then this will help in locating the file easily when required. Violation of this principle leads to chaos and delay in work.

**Q10. State any three features of planning.**

**Ans.** Following are the highlighted features of planning.

**a. Focus on Objectives:** Planning serves the basis for guidelines for what goals are to be achieved and how they are to be achieved. Any management should formulate plans keeping view the specific goals in mind. These plans must ensure that the desired objective is attained. The managers must make sure that the plans made are purposeful. For example, if sales target is to be achieved then the plans must be made in sync with this objective.

b. **Stepping Stone:** Planning serves as the stepping stone for all other functions of an organisation. That is, planning precedes all other functions such as organising, directing, staffing and controlling. This is because plans states the objectives and all other functions are in accordance with the said objectives. Once the plans are determined, the role of other interrelated functions comes into place. Thus, planning sets the basis for other functions of an organisation.

c. **Pervasiveness:** Planning must be done at all levels of the organisation. It is not a function of just the top level managers but, is a function to be performed at every level of management. However, its scope differs along the various dimensions of business. For example, the top level managers have to chalk out the policies regarding the overall management whereas the middle level managers plan out the authority to be assigned to the subordinates. On the other hand, the lower level managers make out small targets for day-to-day working.

**Q11. Explain briefly any three semantic barriers to communication.**

**Ans.** The following are three semantic barriers:

- a. **Inappropriate vocabulary:** Sometimes due to poor vocabulary or wrong use of words by the communicator, the information may not be clearly expressed.
- b. **Use of words that have multiple meanings:** Sometimes, a word may have more than one meaning; or two or more words may have the same pronunciation (such as idle and idol). In such cases, the correct interpretation of the word remains ambiguous.
- c. **Lack of proficiency:** In certain cases, the proficiency of a language differs among the workers and the managers. In such cases, a translation of the information into another language may be required to make it understandable to the workers. However, in the process of translation some of the words or sentences may get misinterpreted. For example, in a translation of an instruction from English to Hindi, the meaning of certain words might change.

**Q12. Ramnath Ltd. is dealing in import of organic food items in bulk. The company sells the items in smaller quantities in attractive packages. Performance of the company has been up to the expectations in the past. Keeping up with the latest packaging technology, the company decided to upgrade its machinery. For this, the Finance Manager of the company, Mr. Vikrant Dhull, estimated the amount of funds required and the timings. This will help the company in linking the investment and the financing**

decisions on a continuous basis.

Therefore, Mr. Vikrant Dhull began with the preparation of a sales forecast for the next four years. He also collected the relevant data about the profit estimates in the coming years. By doing this, he wanted to be sure about the availability of funds from the internal sources. For the remaining funds he is trying to find out alternative sources. Identify the financial concept discussed in the above paragraph. Also, state any two points of importance of the financial concept, so identified.

**Ans.** The financial concept discussed in the paragraph is Financial Planning. Its importance can be highlighted from the following factors:

- a. **Helps in facing eventual situations:** Financial planning helps in forecasting the future situations. In this way, it prepares an organisation to cope with the adverse situations in a better manner.
- b. **Helps in avoiding surprises and shocks:** Through financial planning, an organisation can detect situations of shortage or surplus of funds that may arise in future. Therefore, it prepares the managers in advance for such situations.

**Q13.** Hemant, Guddu and Toshita were friends from college days and presently they were doing different kinds of business. They regularly meet and discuss their business ideas, and exchange notes on customer satisfaction, marketing efforts, product designing, selling techniques, social concerns etc.

In one of such meetings, Hemant drew the attention of Guddu and Toshita towards the exploitation of consumers. He told that most of the sellers were exploiting the consumers in various ways and were not paying attention towards the social, ethical and ecological aspects of marketing, whereas he was not doing so. Guddu told that they were under pressure to satisfy the consumers but stated that the consumers would not buy or not buy enough unless they were adequately convinced and motivated for the same.

Toshita stressed that a company cannot achieve its objectives without satisfying the needs of the customers. It was the duty of the businessmen to keep consumer satisfaction in mind, because business is run by the resources made available by the society. She further stated that she herself was taking into consideration the needs of the customers.

Identify the various types of thinking that guided Hemant, Guddu and Toshita in the

**marketing efforts of their business. Also, state one more feature each of the various types of thinking identified that is not given in the above para.**

**Ans.** The concept of thinking followed by Hemant is the Societal Marketing Concept.

According to this concept, organisations should not only identify the immediate needs of the target market, but also aim at long-term well-being and interests of the consumers.

Feature: The emphasis of this thinking, is that the organisation should pay due consideration to social and environmental problems such as pollution, deforestation, population explosion and inflation.

The concept of thinking followed by Guddu is the Selling concept. According to this concept, a consumer would purchase the product only when he is sufficiently convinced regarding the features, quality, etc., of the product.

Feature: This thinking emphasizes that firms must focus on rigorous selling and promotion techniques so as to increase the sale of their product.

The concept of thinking followed by Toshita is Marketing concept. The marketing concept believes that customer satisfaction plays a vital role in the long-run success of any organisation. Herein, the organisations must aim towards appropriately identifying such needs of customers and satisfying them in an effective manner.

Feature: This thinking emphasizes that a firm should not just independently work towards customer satisfaction, but also aim at satisfying the customers better than its competitors.

**Q14. Rishitosh Mukherjee has recently joined AMV Ltd, A company manufacturing refrigerators. He found that his department was under-staffed and other departments were not cooperating with his department for smooth functioning of the organisation. Therefore, he ensured that his department has the required number of employees and its cooperation with other departments in improved.**

**(a) Identify the level at which Rishitosh Mukerjee was working.**

**(b) Also, state three more functions required to be performed by Rishitosh Mukerjee at this level.**

**Ans.** Rishitosh Mukherjee is working at Middle Level Management as he is the department head.

The other functions performed by Rishitosh are:

- a. Acts as a link between the top management and the workers at the lower level
- b. Interprets and implements policies and plans as formulated by the top level management



c. Assigns responsibilities to the workers and ensures proper working environment in their respective department

**Q15. Sanket, after completing his entrepreneurship course from U.S.A. returned to India and started a coffee shop 'Fioma Coffee' in a famous mall in Mumbai. The speciality of the coffee shop was the special aroma of coffee and wide variety of flavours to choose from. Somehow, the business was neither profitable nor popular, Sanket was keen to find out the reason. He appointed Riya, an MBA from a reputed management institute as a manager to find out the causes of the business not doing well.**

**Riya, took feedback from the clients and found out that though they loved the special unique aroma of coffee but were not happy with the long waiting time being taken to process the order. She analysed and found out that there were many unnecessary obstructions which could be eliminated. She fixed a standard time for processing the order.**

**She also realised that there were many flavours whose demand was not enough. So, she also decided to discontinue the sale of such flavours. As a result, with in a short period Riya was able to attract the customers.**

**Identify and explain any two techniques of scientific management used by Riya to solve the problem.**

**Ans.** The techniques of scientific management used by Riya to solve the problem are:

**(a) Standardisation of work:** Standardisation of work implies setting milestones or benchmarks for any work or activity. It aims at establishing standards of excellence against which actual performance can be measured. Standardisation can be set in terms of process, raw material, product or time. Standards are to be followed by the managers in the production process, and standardisation has the objective of ensuring that the final product is of fixed size, characteristic and quality. Various other techniques given by Taylor, such as method study, fatigue study and time study, are based on the concept of standardisation.

**(b) Simplification of work:** Simplification of work involves eliminating unnecessary diversifications in the product in terms of variety, size and dimension. It aims at fuller utilisation of the resources, reducing the inventories and increasing the turnover. It also helps in reducing the costs of labour and machines. Along with this, simplification aims at removing the unnecessary steps involved in a process to achieve efficiency.

**Q16. Give the meaning of 'Strategy' and 'Rule' as types of plans.**

**Ans. a. Strategy:** A strategy is a comprehensive plan that includes determining the long-term objectives, adopting the required course of action and allocating the necessary resources. They are often defined as the future decisions which showcase the direction and scope of the organisation in the long run. While formulating a strategy, a manager must consider all the different aspects of the business environment and based upon all factors, should finally take up the strategic decisions.

**b. Rule:** A rule refers to a standard or specific statement that gives information about what is to be done and what is not to be done. Rules are the simplest type of plans that do not allow any kind of flexibility. They signify the managerial decision that a particular task or action has to be performed or not. Such rules do not allow any scope for compromise or change unless a policy decision is taken by the managers.

**Q17. Explain briefly 'Casual Callers' and 'Labour Contractors' as external sources of recruitment.**

**Ans. (i) Casual callers:** An organisation maintains a list of probable applicants along with their contact information. As and when vacancies arise, it contacts them and persuades them to apply for the jobs available.

**(ii) Labour contractors:** Organisations approach labour contractors for engaging low-skilled workers or labourers. Labour contractors maintain a close contact with labourers and other workers and call them for work when the need arises.

**Q18. These days, the development of a country is also judged by its system of transferring finance from the sector where it is in surplus to the sector where it is needed the most. To give strength to the economy, SEBI is undertaking measures to develop the capital market. In addition to this, there is another market in which unsecured and short-term debt instruments are actively traded everyday. These markets together help the savers and investors in directing the available funds into their most productive investment opportunity.**

**(a) Name the function being performed by the market in the above case.**

**(b) Name the market segment other than the capital market segment in which unsecured and short-term debt instruments are traded. Also, give any three points of difference between the two.**



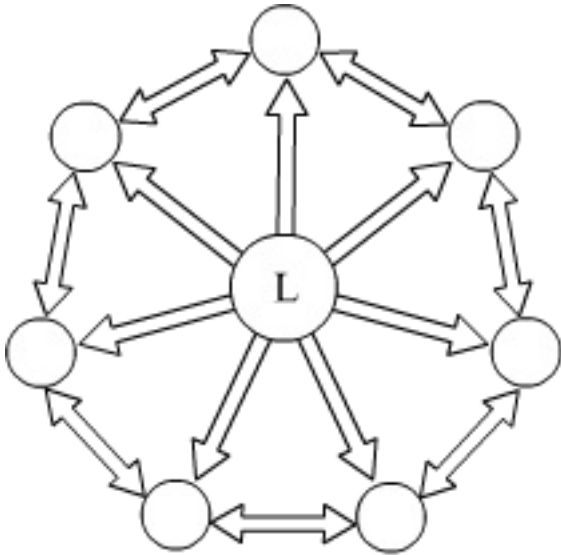
**Ans.** a. The function being performed by the market is the Allocative function.  
 b. The market segment other than the capital market segment in which unsecured and short-term debt instruments are traded is called the Money Market. The three points of difference between the two are as follows:

Basis of difference	Capital Market	Money Market
Time Span of Securities	It mainly deals in the trading of medium and long-term securities wherein the maturity period is more than one year	It deals in the trading of short-term securities wherein the maturity period can vary from one day to a maximum of one year
Liquidity	The securities traded are liquid in nature as they are tradable on stock exchanges. However, they are less liquid in comparison to the money market securities	The securities traded are highly liquid in nature. This is because DFHI (Discount and Finance House of India) discounts money market securities and offers a ready market for them
Expected Returns	Expected returns are higher due to the possibility of capital gains in the long term and regular dividends or bonus	Expected returns are lower due to shorter duration

**Q19.** Avdhesh is the Managing Director of Delta Ltd. The company had established a good name for itself and had been doing well. It was known for timely completion of orders. The Production Manager, Ms. Priyanka was efficiently handling the processing of orders and had a team of ten motivated employees working under her. Everything was going on well. Unfortunately, Priyanka met with an accident. Avdhesh knew that in the absence of Priyanka, the company may not be able to meet the deadlines. He also knew that not meeting the deadlines may lead to customer dissatisfaction with the risk of loss of business and goodwill. So, he had a meeting with his employees in which accurate and speedy processing of orders was planned. Everybody agreed to work as team because the behaviour of Avdhesh was positive towards the employees of the organisation. Everyone put in extra time and efforts and the targets were met on time. Not only this, Avdhesh visited Priyanka and advised her to take adequate rest.

- (a) Identify the leadership style of Avdhesh and draw a diagram depicting the style.
- (b) Also, identify any two values highlighted by the behaviour of Avdhesh.

**Ans.** (a) Democratic or Participative Leadership style



(b) Values involved

- (i) Positive attitude towards employees
- (ii) Considerate towards employees' health and their well-being

**Q20. Nandrachal Networks and Technologies Ltd. is a leader in technology innovation in U.S.A. creating products and solutions for a connected world. It has a large Research and Development team which invented the first smart watch W-I, which besides showing the time would also monitor few health parameters like heart beat, blood pressure, etc. While in search of markets abroad, the company found that in India, the reform process was underway with the aim of accelerating the pace of economic growth. The company decided to take advantage of the fact that licensing requirements had been abolished. The company was also aware that there had been increased level of interaction and interdependence among the various nations of the world and India could be made a base for its international trade. It set up its office in Gujarat with a view to capture the Indian market. In a short span of time, the company emerged as a market leader. Success of the company attracted many other players to enter the market. Competition resulted in reduction in prices, thereby benefitting the customers.**

(a) In the above paragraph, two major concepts related to government policy have been discussed. Identify and explain those concepts.

**(b) Also, explain briefly any three impacts of those concepts on Indian business and industry.**

**Ans.** a. The two concepts related to the government policy discussed in the question are Liberalisation and Globalisation.

1. **Liberalisation:** Liberalisation refers to the removal of controls and restrictions imposed by the government. They indicated the end of the famous license-permit-quota raj in India.

2. **Globalisation:** Globalisation refers to the integration of economies of the world. It is the process associated with increasing openness, growing economic independence and promoting economic integration in the world economy.

b. The three major impacts of these concepts on Indian business and industry were:

1. **Increased competition:** As a result of measures such as abolition of the licensing policy, dereservation and encouragement to foreign direct investment, the competition faced by industries increased, both internally as well as externally, from foreign enterprises. This increase in competition was particularly felt in service industries, such as telecommunication, banking and insurance.

2. **Increased demand:** With the increased competition, producers increasingly became market-oriented. They began to produce goods keeping in mind the market demand. Therefore, the availability of goods and services for the consumers and the quality also increased tremendously. Thus, consumers gained from quality products and greater variety, and their demand for products increased.

3. **Change in business policies:** The government policies under the new industrial policy directly affected the functioning of business enterprises. As a result, they altered their policies and operations appropriately.

**Q21. State any five points that highlight the importance of controlling.**

**Ans.** The following are the factors that highlight the importance of controlling.

i) **Achieving Organisational Goals:** Controlling aims at accomplishment of the organisational goals by indicating the deficiencies and the corrective actions which are to be taken. It helps in moving in the right direction for attaining the set organisational objectives.

ii) **Evaluating the Standards:** Controlling helps in judging the accuracy of the standards adopted by the management. A good controlling system enables the manager to check whether the set standards are accurate and feasible. It also helps the organisation to review and revise the standards according to the changing business environment.

- iii) **Optimum Utilisation of Resources:** A continuous control and monitoring helps in the efficient and optimum utilisation of resources. As each work is done according to the set standard, there is less wastage and spoilage of resources.
- iv) **Employee Motivation:** By exercising effective control, employees get to know well in advance about what is expected from them and the standards against which their performance will be assessed. This motivates them to achieve the assigned targets in a better way.
- v) **Order and Discipline:** Efficient controlling helps in creating an atmosphere of order and discipline in the organisation. As the employees are aware of the fact that they are being continuously observed, the dishonesty and inefficiency in behaviour is minimised.

**Q22. 'RO Youth Club' organised a visit of its members to an Old Age Home to inculcate the habit of social work among them. The visit revealed that the living conditions of the inmates of the Old Age Home were not hygienic. So, the RO Youth Club members decided to clean the premises. During their cleanliness drive, they realised that the Old Age Home also required pest control. But some of the inmates of the Old Age Home were reluctant for it because they believed that the pest control may create health problems for them. RO Youth Club, therefore, decided to provide ethical, safe and odourless pest control. They showed to the inmates of the Old Age Home a pamphlet of the proposed pest 'control product which promised easy, inexpensive and long-lasting pest control. The inmates happily agreed and the pest control was carried out. The effect of the pest control started wearing off after a fortnight. RO Youth Club contacted the pest control company which kept on postponing their visit. After waiting for a month, RO Youth Club field a case in the consumer court.**

**The consumer court was satisfied about the genuineness of the complaint and issued necessary directions to the pest control company.**

- (a) State any six directions that might have been issued by the court.**
- (b) Identify any two values that are being communicated by RO Youth Club to the society.**

**Ans.** (a) The court may direct to

- (i) Repair the defective goods or remove the deficiency in service.
- (ii) Replacement of the defective good with a new one.
- (iii) Refund the price that was paid by the consumer for the good or service.

- (iv) Payment of compensation in cash for the loss or injury suffered.
- (v) Removal of misleading advertisement and issue of a correct advertisement henceforth.
- (vi) Payment of an appropriate amount (not less than 5% of the good in question) to be credited to the Consumer Welfare Fund.
- (b) Values involved
  - (i) Promoting cleanliness and hygiene
  - (ii) Fulfilling social responsibility

**Q.23. Anoop Gaur started 'Cat's Eye', a company for providing cyber security solutions to businesses. Its objective is to prevent, detect, respond to cyber attacks and protect critical data. He was a hardworking software engineer and an expert in cyber security. His reputation grew by leaps and bounds as he was not only a person of integrity but also did his work with utmost honesty and sincerity. The business started growing day by day.**

**He was delighted when he was offered a big project by the Ministry of Science and Technology. While working on the project he found that the volume of work made it impractical for him to handle all the work by himself. Therefore, he decided to expand the team. The company maintained a close liaison with an engineering college in the State. During a campus placement, Aarav and Pranshi were appointed to work for the new project.**

**He found the new employees capable, enthusiastic and trustworthy. Anoop Gaur was thus, able to focus on the objectives and with the help of Aarav and Pranshi, the project was completed on time. Not only this, Anoop Gaur was also able to extend his area of operations. On the other hand, Aarav and Pranshi also got opportunities to develop and exercise initiative.**

**(a) Identify and explain briefly the concept used by Anoop Gaur in the above case which helped him in focussing on the objectives.**

**(b) Also, explain any four points of importance of the concept identified in part (a). (6)**

**Ans.** The concept used by Anoop Gaur is Delegation. This is because, he found the volume of work impractical to handle by himself and thus, decided to expand his team. After this, he delegated the tasks to Aarav and Prashi so that he himself can focus on the objectives. Thus, here, he is delegating the tasks to his subordinates.

The following points highlight the importance of delegation.

- a. **Managerial efficiency:** By delegating work to the subordinates, the managers can concentrate on priority areas and also venture into new areas. This freedom from the routine tasks enhances the efficiency of the managers.
- b. **Employee proficiency:** As the subordinates are entrusted with the responsibility of completing a task, they get an opportunity to prove their abilities and apply their skills. This helps them to gain experience and improve their proficiency.
- c. **Motivation:** Delegation provides the employees with psychological benefits, which motivate and encourage them to give their best to the organisation.
- d. **Growth:** Delegation helps in the preparation of efficient and experienced managers who can take up leading positions during the growth phase of the organisation. This facilitates easy growth and expansion of the organisation.

**Q24. Explain briefly any four factors that affect the Working capital requirements of a company.**

**Ans.** The following are five factors that affect the working capital requirement of a company.

- i) **Type of Business:** Working capital requirement of a firm depends on its nature of business. An organisation that deals in services or trading will not require much of working capital. This is because such organisations involve small operating cycle and there is no processing done. Herein, the raw materials are the same as the outputs and the sales transaction takes place immediately. In contrast to this, a manufacturing firm involves large operating cycle and the raw materials need to be converted into finished goods before the final sale transaction takes place. Thereby, such firms require large working capital.
- ii) **Scale of Operations:** Another factor affecting the working capital requirement is the scale of operations the firm deals in. If a firm operates on a big scale, the requirement of the working capital increases. This is because such firms would need to maintain high stock of inventory and debtors. In contrast to this, if the scale of operation is small, the requirement of the working capital will be less.
- iii) **Fluctuations in Business Cycle:** Different phases of business cycle alter the working capital requirements by a firm. During boom period, the market flourishes and thereby, there is higher sale, higher production, higher stock and debtors. Thus, during this period the need for working capital increases. As against this, in a period of depression there is low demand, lesser production and sale, etc. Thus, the working capital requirement reduces.
- iv) **Production Cycle:** The time period between the conversion of raw materials into finished



goods is referred as production cycle. The span of production cycle is different for different firms depending on which the requirement of working capital is determined. If a firm has a longer span of production cycle, i.e. if there is a long time gap between the receipt of raw materials and their conversion into final finished goods, then there will be a high requirement of working capital due to inventories and related expenses. On the other hand, if the production cycle is short then requirement of working capital will be low.

v) **Growth Prospects:** Higher growth and expansion is related to higher production, more sales, more inputs, etc. Thus, companies with higher growth prospects require higher amount of working capital and vice versa.

**Q25. Medi Instruments Ltd. is a company dealing in the distribution of medical instruments. The company recently imported 15000 units of sugar testing machines to test the sugar levels without taking blood samples. For deciding the marketing strategy, the Chief Executive Officer of the company called a meeting of the marketing heads of different zones.**

In the meeting, Sanjay, the North Zone Marketing Head, suggested that since the machines were sophisticated they need to visit hospitals personally to explain its working to the hospital staff who would be using the machines. He also suggested that additional trained people may be recruited for the same. Hitesh, another Zonal Head, added that since lot of money had been spent on the import of the machines, the company was short of funds to pay the additional staff, as suggested by Sanjay. Revansh, a newly appointed Zonal Head of South Zone, suggested that since the size of the order was not large, a detailed study of the factors determining the choice of channels of distribution was required before making the right choice.

**(a) Identify the factors influencing the choice of channels of distribution which were discussed in the meeting.**

**(b) Also, explain briefly the other considerations to be taken care of in each factor identified in part (a).**

**Ans. a.** The three factors that are influencing the choice of channels of distribution in the given question are:

1. Product related factors (as the machinery is sophisticated)
2. Company characteristics (as the company do not have enough funds to pay for more employees)

3. Market related factors (as the size of the order is not large)

b. Other considerations in the cases are:

1. **Product related factors:** The decision regarding the appropriate channel of distribution is largely affected by the classification or the type of a product. Here, it is important to check whether the product is perishable or non-perishable; whether it is an industrial or a consumer product or the degree of complexity of the product. For instance, if a product is complex or sophisticated in nature then it would require shorter channels of distribution and careful handling.

2. **Company characteristics:** The characteristics of a company play an important role in making a decision regarding the channel of distribution. Generally a company's financial strength and the degree of control that the company wishes to hold on the intermediaries affect the choice of channels of distribution. Keeping the first one in view, a company that is financially strong and has spare funds to spend would opt for a shorter channel of distribution. This is because the shorter channels of distribution generally require a greater amount of funds for activities like hiring more salesman or opening higher number of retail outlets. This is likely to increase the cost of the firm and thus only those companies that have a strong financial base can opt for direct channels. In contrast to this, the companies that have a weaker financial base will opt for longer or indirect channels as these channels do not involve such costs.

Similarly, a company that wishes to have a greater control over the intermediaries should also opt for shorter channels of distribution. The reason behind this lies in the fact that the direct or the shorter channels involve minimum numbers of intermediaries and thus are easily controllable. On the other hand, companies that exercise lesser control over the intermediaries can opt for longer channels of distribution.

3. **Market related factors:** Factors such as size of the market, geographical concentration of buyers, quantity demanded, etc. also affect the choice between the channels. For example, in case the size of order is small then shorter channels should be adopted, whereas in case of large orders, long channels should be adopted. Similarly, in case the size of market is small then shorter channels should be adopted and if the size of market is large, then long channels should be adopted.