

CBSE Class-12 Business Studies
Question Paper 2017 Foreign 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. Define 'Directing' as a function of management.

Ans. Directing is the process of instructing, motivating, guiding and leading people to work to the best of their capabilities in order to achieve predetermined goals and objectives. This function is performed by every manager at every level of organisation.

Q2. Differentiate between formal and informal organisation on the basis of 'authority'.

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

Basis of difference	Formal organisation	Informal organisation
Authority	Arises from virtue of position or status in the organisation	Arises out of personal qualities in the social group

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

Ans. Trade Test is conducted to measure the level of skills, knowledge and proficiency of a

person in his/her area of profession.

Q4. Vegatech Enterprises was a company manufacturing refrigerators. The company had a functional structure with four main functions – Production, Marketing, Finance and Human Resource. As the demand for the products grew, the company decided to hire more employees.

Identify the concept which will help the Human Resource Manager in identifying the types of human resources necessary for the performance of various jobs and accomplishment of organisational objectives.

Ans. The concept which will help the Human Resource Manager in identifying the types of human resources necessary for the performance of various jobs and accomplishment of organisational objectives is Workload Analysis.

Q5. Whirlwind Enterprises was a renowned name for manufacturing quality washing machines since 1965. When the profit of the last year declined, Mr. Ahmed, the owner of Whirlwind Enterprises, asked the General Manager to prepare a profitability report of the company including Gross Profit Ratio, Net Profit Ratio, etc. besides using other techniques to assess the company's performance.

Identify the step taken by Mr. Ahmed which is related to one of the functions of management.

Ans. The step that is being performed by Mr. Ahmed is Measurement of Actual Performance under the controlling function of management.

Q6. What is meant by 'Trading on Equity'?

Ans. Trading on equity refers to the practice of raising the proportion of debt in the overall capital structure of the company such that the earnings per share increase.

Q7. Varunica Ltd., a reputed truck manufacturing company, needs rupees twenty crores as additional capital to expand its business. Mr. Alind Jindal, the CEO of the company, wants to raise funds through equity. The Finance Manager, Mr. Nikhil Sachdeva, suggests that the existing shareholders be offered the privilege to subscribe to new issue of shares as per the terms and conditions of the company which was agreed by Mr. Alind Jindal.

Name the method through which the company decided to raise additional capital.

Ans. The method through which the company decided to raise additional capital is 'Rights Issue'.

Q8. Vanshika uses 'Kuber Cabs' for travelling in the city. She received a text message "Add Rs 222 on Kaytm and get 20% cash back on having minimum ten trips till 15th April, 2017".

Identify the technique of sales promotion used by the company.

Ans. The technique of sales promotion used by the company is 'Rebate'.

Q.9. Explain briefly 'Remuneration of Employees' and 'Scalar Chain' as general principles of management.

Ans. a. Remuneration of Employees: Compensation should be fair and just to both the employees and the management. This implies that the employees should get fair wages and salaries, which will help them to enjoy a reasonable and decent standard of living
b. Scalar chain: Scalar chain refers to a pre-defined, formal path of authority and communication in the order of the highest to the lowest. Every individual in an organisation follows this chain of authority for communication.

Q10. State any three limitations of planning function of management.

Ans. The following points highlight the three limitations of planning.

- a. Rigidity:** Once a plan is formulated, the manager may not be able to change it. This rigidity creates hurdles when unforeseen changes come about.
- b. Lack of flexibility to deal with a dynamic environment:** Planning cannot help foresee the changes in the business environment and fails in times of changes and uncertainties.
- c. Reduced creativity:** Plans are made by only the top management, and the lower levels of management are not allowed to deviate from the pre-defined course. Thus, in the process, lower level managers tend to lose their creativity

Q11. Explain briefly any three psychological barriers to effective communication.

Ans. The following are three psychological barriers to communication:

- a. Preconcieved notions:** Sometimes, due to preconceived notions regarding a conversation,

an individual might derive conclusions even before the information is completed.

b. **Lack of attention:** At times the individual is preoccupied with something else and therefore remains inattentive. As a result, he is not able to effectively grasp the information provided to him.

c. **Poor retention:** When communication passes through multiple stages, there may occur loss of information in the process. Moreover, in cases where the information is communicated orally, it might happen that the commute (recipient) may not be able to retain the information.

Q12. Microgarments Ltd. is dealing in export of garments. The performance of the company has been upto the expectations in the past. Keeping up with the latest technology, the company decided to upgrade their machinery. For this, the Finance Manager, David, estimated the quantitative requirements of funds and their timings. This will help him in linking the investment and the financing decisions on a continuous basis. So, he began with the preparation of a sales forecast for the next four years. He also collected all possible data about the profit estimates in the coming years. By doing this he wanted to be sure about the availabilitlity of funds within the business. For the remaining fudns he is trying to find out the viable sources from outside. Identify the financial concept discussed in the above para. Also, state the objectives to be fulfilled by the financial concept, so identified.

Ans. The concept stated in the question is Financial Planning. It involves designing the blueprint of the overall financial operations of a company such that right amount of funds are available for various operations at the right time. That is, it tends to forecast what amount of fund would be required at what time as per the growth and performance of the company.

Objectives of Financial Planning

The two main objectives of financial planning are as given below:

1. **Ensure timely availability of funds:** Financial planning involves estimating the amount of funds required for various business operations and the time when these funds would be required. It also involves identifying the probable sources from which the funds can be obtained.

2. **Proper utilisation of funds:** It implies ensuring that situations of both inadequate funds as well as surplus funds are avoided. While on the one hand, inadequate funds hinder the

smooth operations of the firm; on the other hand, excess funds add to the cost of business and encourage unnecessary and wasteful expenditure. Thus, financial planning ensures that the funds are properly and optimally utilised.

Q13. Nishtha, Vasvi and Radhika were friends from college time and now they are engaged in different types of businesses. They regularly meet and discuss their business ideas, exchange notes on customer satisfaction, marketing efforts, product designing, selling techniques and social concerns, etc.

Nishtha, drew the attention of her friends towards the exploitation of consumers in the market. She said that the sellers were exploiting the consumers in many ways and were not paying attention towards the social, ethical and ecological aspects of marketing.

Vasvi said that they were under pressure of consumer satisfaction but observed that the consumers would not buy or not buy enough unless they are adequately convinced and motivated to do the same.

Radhika, stressed that it was the duty of the businessmen to keep consumer satisfaction in mind because business was run by the resources made available by the society. Thus, a company cannot achieve its objectives without understanding the needs of the customers.

The thinking of the three friends were different. These thinkings were guiding the marketing efforts of their business and were known with different name. Identify these names. Also, state one more feature of each of these thinkings.

Ans. The concept of thinking followed by Nishtha 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 Vasvi 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 Radhika 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. Chandrika Bhattacharya is working in Olax Ltd., a company manufacturing room heaters. She is responsible for all the activities of the business and for its impact on the society. Her job demands long hours and commitment to the organisation.

(a) Identify the level at which Chandrika Bhattacharya is working.

(b) State three more functions required to be performed by Chandrika Bhattacharya at this level.

Ans. (a) Chandrika Bhattacharya is working at the level of 'top management'.

(b) The other functions performed by managerial staff employed at top level are enlisted below.

(i) Coordinates different activities of the organisation for the accomplishment of the common goals

(ii) Works towards the survival of the organisation

(iii) Drafts various plans and policies

Q15. After completing his entrepreneurship course from Australia, Sanket came back to India and started a coffee shop 'Premium Cold Coffee' in a famous mall in Delhi. Its speciality was the special aroma of coffee and a 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 college, as a manager to find out why the business was not doing well. Riya took a feedback from the clients and found out that though they loved the 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 stoppages in between which could be eliminated. She set up a standard time for processing the order. She also analysed that there were many flavours of coffee available for which the demand was very less. So she also decided to discontinue some of them.

Within a short period Riya was able to attract the customers.

Identify and explain the management techniques 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 'Procedure' and 'Method' as types of plans.

Ans. a. Procedure: A procedure is a set of routine steps defined in a chronological order that are to be followed for the enforcement of a policy. They include a detailed description of the exact manner in which a task is to be performed. Generally, procedures are developed for the insiders, i.e. the employees of the organisation. They consist of steps in a sequential manner which are undertaken to implement a policy or a particular work. In short, we can say that procedures are the steps that require to be carried out within a broad policy framework.

b. Method: A method defines the way or manner in which a particular task can be performed. It considers one step of an entire procedure and defines the step to be taken for the completion of the given task. Methods may vary as per the task or the work to be performed. The selection of proper method plays a crucial role as they help in saving time, money and efforts thereby, increasing the managerial efficiency.

Q17. Explain 'Direct Recruitment' and 'Advertisement' as external sources of recruitment.

1. a. **Direct recruitment:** An organisation that opts for direct recruitment places a notice outside its premises, giving details about job vacancies, including the number of vacancies, qualifications of candidates and date of interview. Interested candidates collect the information and attend the interviews, and the selection is done on the spot.

b. **Advertisement:** Organisations give advertisements in periodicals regarding their job vacancies. Through advertisements, they can reach a wider range of potential candidates, thereby opening up their choices.

Q18. Today, 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 every day. These markets together help the savers and investors in allocating the available funds into their most productive investment opportunity.

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

(b) Also, explain three other functions performed by this market.

Ans. (a) Allocative function

(b) Functions performed by Financial Markets

(i) **Establishes the price-** It provides a platform for the interaction of the demand and the supply of funds, thereby helping in determining the price of the asset being traded.

(ii) **Facilitates liquidity-** It renders liquidity to the assets in the sense that through trading (sale and purchase of assets) in the financial market, the assets can easily be converted into cash or cash equivalents.

(iii) **Reduces the cost of transaction-** It provides useful information about the various securities that are traded. In this way, it helps in reducing the cost of transaction in terms of time, effort and money for both the buyers and sellers.

Q19. Aarav Gupta was the Managing Director of KDS Ltd. The company had established a good name for itself and was doing well. It was known for timely completion of orders. The Production Manager, Mrs. Charu, was efficiently handling the processing of orders with a team of twenty motivated employees working under her. Everything was going on well till Ms. Charu met with an accident. Aarav Gupta noticed that due to the absence of Ms. Charu, the company may not be able to meet the deadlines. He knew that any delay in this regard may lead to consumer dissatisfaction with the danger of loss of business and goodwill. So, he had a meeting with his employees where they planned for accurate and speedy processing of orders. Everybody agreed to work as a team as the attitude and behaviour of Aarav Gupta was very good towards the

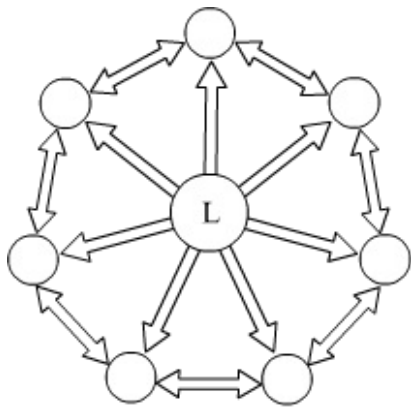
employees of the organisation. All put in extra time and efforts and the targets were met on time.

Not only this, Aarav Gupta visited Ms. Charu and advised her to take the required rest.

(a) Identify the leadership style of Aarav Gupta and draw a diagram depicting the style.

(b) State any two values highlighted in the behaviour of Aarav Gupta.

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. Infotech Networks Ltd. was an innovation leader in technology in Canada, creating products and solutions for a connected world. It had a large Research and Development team which invented the first smart watch, T-12, 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 removal of unnecessary control over the economy and trade liberalisation through rationalisation of the tariff structure and reform with respect to foreign exchange. It set up an office in Kolkata 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 reduced prices thereby benefitting the customers.

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

(b) Also, explain any three impacts of these 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. Describe the relationship between controlling and planning.

Ans. Planning and controlling are closely interrelated functions of management. On one hand, Planning refers to the psychological process of thinking and deciding about what is to be done and how it is to be done. That is, planning decides the objectives to be achieved and the course of action to be followed. On the other hand, controlling refers to the process of managing and evaluating the work done in accordance with the standards and taking corrective measures, if there are any deficiencies. These standards that form the basis of controlling are provided by planning. The various objectives and policies as formulated under planning serve as standards against which the actual performance is evaluated. Controlling without planning is meaningless. If there are no standards, no objectives, there is nothing to control. That is, if the managers do not know what the final objective is, they do

not have any standard against which they can judge the current performance and deficiencies. Similarly, planning without controlling holds no meaning. Once the plans are formulated, it becomes necessary to monitor and evaluate whether the performance is as per the desired plans. Controlling is a requisite for measuring whether the plan is being properly implemented, if there are any deficiencies in the work and if there is a need for taking corrective actions in order to achieve the planned goals. If there is no controlling, planning cannot be accomplished. Thereby, planning without controlling is of no use. Thus, it can be said that both planning and controlling complement each other.

Both the concepts of planning and controlling are interlinked in a way as they are forward looking as well as backward looking. Though it is said often that planning is looking forward and controlling is looking backward, however, the statement is only partially true. Though planning is a futuristic concept dealing with preparing plans and setting standards in advance, it is also based on past experiences and actions initiated in the controlling function. Thus, planning besides being forward looking, is backward looking as well. Similarly, although controlling is based on the past actions and deals with comparing the current actions with the pre-defined standards, it also focuses on taking the corrective actions to improve the future performance of the management. Thus, controlling besides looking back, also looks forward.

Hence, while on one hand, planning is a prerequisite for controlling, on the other hand, controlling is incomplete without planning. Both are inseparable functions that support each other towards the achievement of the goals of the organisation.

Q22. 'Helping Hands Organisation (HHO)' organised a visit of its members to an old age home to inculcate the habit of social work. They found that the living conditions of the old age home inmates were not hygienic. Therefore, they first decided to clean the premises. During their cleanliness drive, they realised that the place also required pest control. Some of the inmates of the old age home were hesitant as they thought that it may create health problems for them. So the HHO decided to use ethical, safe and odourless solution for pest control. They showed to the inmates a pamphlet of the proposed pest control product which promised easy, inexpensive and long lasting pest control. The members happily agreed and the pest control was done. It work for a fortnight but afterwards to their dismay the effect started wearing off. The HHO contacted the pest control company which kept on postponing their visit. After waiting for a month the HHO filed a case in the consumer court. The consumer court was

satisfied about the genuiness of the complaint and issued necessary directions to the pest control comapny.

(a) State any six directions which could be issued by the court.

(b) Also, identify any two values which are communicated by HHO 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

Q23. Vinod Chandla started 'Sunshine Securities' a company providing cyber security solutions to businesses to prevent, detect and 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 a person of integrity and 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 Corporate Affairs. While working on the project, he found that the volume of work made it impractical for him to handle all the work himself. He decided to expand his team. The company maintained a close liaison with a local engineering college. During a campus placement Anishka and Kavya were appointed to work for the new project. He found the new employees capable, enthusiastic and trustworthy. Vinod Chandla was thus able to focus on objectives and with the help of Anishka and Kavya, the project was completed on time. Not only this Vinod Chandla was also able to extend his area of operations. Anishka and Kavya also got opportunities to develop and exercise initiative.

(a) Identify and explain the concept used by Vinod Chandla in the above case which helped him in focussing on objectives.

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

Ans. The concept used by Vinod Chandla 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 hired and found Anishka and Kavya capable enough so that he himself can focus on his own objectives and operations. Thus, here, he is delegating the tasks to his subordinates so that he himself can focus on more important tasks.

The following points highlight the importance of delegation.

1. **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.
2. **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.
3. **Motivation:** Delegation provides the employees with psychological benefits, which motivate and encourage them to give their best to the organisation.

Q24. Explain any four factors that affect the fixed capital requirements of a company.

Ans. The factors affecting the fixed capital requirements of a company are listed below.

(i) **Type of business:** The amount of fixed capital required by a company depends, to a large extent, on the type of business that it deals in. Organisations that deal in services or trading (having a small operating cycle) require less fixed capital. In contrast, a manufacturing firm involving a large operating cycle would require large amount of fixed capital.

Service or trading organisations → Small fixed capital requirement

Manufacturing organisations → Large fixed capital requirement

(ii) **Scale of operations:** Higher scale of operations implies that a larger amount needs to be invested in plants, land, building, etc., and thereby it requires large fixed capital and vice versa.

High scale of operation → Large fixed capital requirement

Small scale of operation → Small fixed capital requirement

(iii) **Alternative techniques of production:** An organisation can opt for either capital-intensive techniques or labour-intensive techniques of production. Organisations that follow capital-intensive techniques require higher investment in plants and machineries. Therefore, they require a larger amount of fixed capital. In contrast, organisations that follow labour-

intensive techniques require lower amount of fixed capital.

Capital-intensive techniques → Large fixed capital requirement

Labour-intensive techniques → Small fixed capital requirement

(iv) **Growth prospects:** Higher growth and expansion of a company is associated with higher production, more sales, more inputs, etc. This requires higher level of machinery and equipments. Thus, organisations with high growth prospects require higher amount of fixed capital and vice versa.

High growth prospects → Large fixed capital requirement

Low growth prospects → Low fixed capital requirement

Q25. Helpequip Ltd. is a company dealing in distribution of medical equipments. The company recently imported 500 units of a diabetes monitoring machine which tests 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, Sanjeev, the North Zone marketing head suggested that they need to visit hospitals to explain personally to the hospital staff who would be using the machine, since the machine is sophisticated. He also suggested that additional staff may also be recruited for the same.

Rishu, another zonal head, was of this opinion that since large amount of money had been spent on the purchase of the machines, additional funds were not available for recruiting the personnel as suggested by Sanjeev.

Ankur, 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 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 additional personnel)

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.