

CBSE
Class XII Business Studies
All India Board Paper Set 1 – 2018

Time: 3 hrs.

Max. Marks: 80

General Instructions:

- (i) Answers to questions carrying 1 mark may be from one word to one sentence.
 - (ii) Answers to questions carrying 3 marks may be from 50-75 words.
 - (iii) Answers to questions carrying 4-5 marks may be about 150 words.
 - (iv) Answers to questions carrying 6 marks may be about 200 words.
 - (v) Attempt all parts of a question together.
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Question 1

Define 'Decentralisation'. [1]

Question 2

Give the meaning of 'Method' as a type of plan. [1]

Question 3

Saurabh decided to start a chocolates manufacturing business. He set then target of earning 10% profit on sales in the first year. As a good businessman, he was concerned about the future of the business, which was uncertain. He gathered information that the demand for chocolates is increasing day-by-day. He used this information as the base for future planning and shared it with his team. On the basis of the gathered information, he scheduled a meeting in the following week to find innovative ways to achieve the objectives.

List the first two steps, which have been followed by Saurabh that are related to the process of one of the functions of management. [1]

Question 4

In the paint industry, various raw materials are mixed in different proportions with petroleum for manufacturing different kinds of paints. One specific raw material is not readily and regularly available to the paint manufacturing companies. Bonler Paints Company is also facing this problem and because of this there is a time lag between placing the order and the actual receipt of the material. But once it receives the raw materials, it takes less time in converting it into finished goods.

Identify the factor affecting the working capital requirements of this industry. [1]

Question 5

An investor wanted to invest `20,000 in Treasury Bills for a period of 91 days. When he approached the Reserve Bank of India for this purpose he came to know that it was not possible.

Identify the reason why the investor could not invest in the Treasury Bill. [1]

Question 6

Why is the understanding of 'Marketing Management Philosophies' important? [1]

Question 7

Give the constitution of the District Consumer Disputes Redressal Forum under the Consumer Protection Act, 1986. [1]

Question 8

'Buy one get one free' is printed on the label of the package of a mosquito repellent. State the labelling function being performed by this statement. [1]

Question 9

Differentiate between formal and informal organisations on the basis of (i) origin, (ii) authority, and (iii) flow of communication. [3]

Question 10

State the steps in the selection procedure, after the employment interview and before the job offer. [3]

Question 11

Sandhya is a successful manager at Manisons Enterprises. She has a team of twelve people working under her. She encourages them to set their own objectives and take decisions. She respects their opinions and supports them, so that they can perform their duties and accomplish organisational objectives. To manage and exercise effective control she uses forces within the group.

As an intelligent manager, at times, she also makes use of positive aspects of informal communication. This way, she is able to unify diverse interests and ensure that targets are met.

- (a) There are many theories and styles of influencing people's behaviour. Identify the style used by Sandhya which is based on the use of authority.
- (b) State two positive aspects of the communication discussed above, which Sandhya is using as an intelligent manager. [3]

Question 12

The Return on Investment (ROI) of a company ranges between 10-12% for the past three years. To finance its future fixed capital needs, it has the following options for borrowing debt:

Option 'A' : Rate of interest 9%

Option 'B' : Rate of interest 13%

Which source of debt, 'Option A' or 'Option B', is better? Give reasons in support of your answer. Also state the concept being used in taking the decision. [3]

Question 13

Explain briefly any two points of importance of consumer protection from the point of view of business. [3]

Question 14

Aradhana and Gandharv are heads of two different departments in 'Yumco Ltd.' 'They are efficient managers and are able to motivate the employee of their respective departments to improve performance. However, their drive to excel in their own sphere of activity instead of giving emphasis on objectives of the enterprise has hindered the interaction between the departments that Aradhana and Gandharv are heading. Often there are inter-departmental conflicts and they have become incompatible. This has proved to be harmful in the fulfilment of the organisational objectives. The situation has deteriorated to such an extent that the CEO of 'Yumco Ltd.' has hired a consultant, Rashmi, to resolve the problem. After studying the situation closely, Rashmi found that the problem has arisen due to inflexibility and a narrow perspective on the part of both Aradhana and Gandharv. She is of the view that this situation is a result of the type of organisational structure 'Yumco Ltd.' has adopted.

From the above information, identify the organisational structure adopted by 'Yumco Ltd.' and state any three advantages of the structure so identified. [4]

Question 15

In 2015, Naveen left his luxurious life in Mumbai, where he worked as a manager for Blue Birds Ltd. He shifted to Begampur, Chhattisgarh to fulfil his grandmother's dream of converting their 25-acre ancestral land into a fertile farm. For this he set out specific goals along with the activities to be performed to achieve the goals.

Every activity was a challenge since he was clueless about farming. He learnt every activity from filling the land to sowing the seeds. To aid farmers he launched his own company 'Innovative Agriculture Solutions Pvt. Ltd.'

It was difficult initially as no one trusted an urban youth telling farmers about farming. But when everything was discussed in detail the farmers started taking interest. He wanted to ensure that the future events meet effectively the best interests of the company. Through sales forecasting, he prepared an annual plan for production and sales.

He also found that the farmers grew only paddy, which was an activity of 3 - 4 months and land remained idle for the rest 8-9 months of the year. He not only identified but evaluated various alternatives through which the farms could be utilised for the remaining months of the year. Through correct foresight and logical and systematic thinking based on analysis of all facts, all alternative were examined and evaluated. He promoted a plan to the farmers, where after harvesting paddy, vegetables could be grown.

The above case highlights the features of one of the functions of management. By quoting lines from the above identify and explain these features. [4]

Question 16

Explain any four points of importance of the controlling function of management. [4]

Question 17

Ram Murthy, the CEO of 'Goodcare Hospitals', a leading chain of hospitals, decided to reward the good work of the doctors of his organisation. For this he instituted two running trophies. A 'Healthcare Achievers Trophy' to acknowledge and appreciate the tireless efforts of the doctors

who rendered selfless services to the patients and another 'Beti Bachao Trophy' to recognise the outstanding work done by the doctors in saving the girl child.

The CEO also wanted to improve the health services in rural areas all over the country. He decided that all doctors must work in rural areas for at least six months. He also decided that the paramedical staff should be employed locally.

- (a) Identify the incentive provided by 'Goodcare Hospitals' to its doctors through running trophies.
- (b) Which need of the doctors will be satisfied through the incentive identified in part (a)? State.
- (c) State any two values that the CEO of 'Goodcare Hospitals' is trying to communicate to the society. [4]

Question 18

State the protective functions of Securities and Exchange Board of India. [4]

Question 19

Sumit purchased an ISI marked washing machine of a famous brand 'MG' from TG Electronics Ltd. The shopkeeper asked him to wait for two days for installation of the machine. His friend, Vivek, was very fond of experimenting with new electronic products. He told Sumit that there is no need to wait for the company's representative to install the machine and that he could do it. So, both of them installed the machine without following the manufacturer's instructions. Initially, the machine worked effectively and the wash was good. But after two days, the machine started stopping in between the wash cycle. Sumit and Vivek tried their best to start the machine but failed in their efforts. Sumit, therefore, approached TG Electronics Ltd., which refused to provide any service on the plea that the installation of the machine was not done by the company.

- (a) State the responsibility which Sumit had to fulfil as an aware consumer to get the services of the company.
- (b) Explain briefly any two rights which Sumit could have exercised had he fulfilled his responsibility identified in part (a). [4]

Question 20

What is meant by co-ordination? State its any four features. [5]

Question 21

'Konark Ltd.' Is an electronic goods manufacturing enterprise situated in Shivpuri, Madhya Pradesh. It is earning a very low revenue in comparison to a competing electronic goods manufacturing enterprise, 'Nova Ltd.' situated in Mumbai. Both Konark's and Nova's operations are affected directly by the investors, customers, competitors and suppliers, which are unique to their respective locations. In addition to this, individual firms of this field are affected indirectly by the factors like the money supply in the economy, composition of the families, the technological changes etc.

- (a) Identify and state the feature of the concept discussed in the above paragraph.

(b) Also, state any four points of importance of this concept.

[5]

Question 22

After acquiring the necessary knowledge and skills on starting an Aloevera Farm. Ashok wanted to be the leading manufacturer of Aloevera products worldwide. He observed that the products were expensive as the demand of the products was more than supply. He was also keen to promote methods and practices that were economically visible, environmentally sound and at the same time protecting public health.

Ashok's main consideration was about the amount of money paid by the consumers in consideration of the purchase of Aloevera products. He also thought that competitors prices and their anticipated reactions must also be considered for this.

After gathering and analysing information and doing correct marketing planning, he came to know that the consumers compare the value of a product to the value of money which they are required to pay. The consumers will be ready to buy a product when they perceived that the value of the product is at least equal to the value of money which they would pay.

Since he was entering into a new market, he felt that he may not be able to cover all costs. He knew that in the long run the business will not be able to survive unless all costs are covered in addition to a minimum profit.

He examined the quality and features of the products of the competitors and the anticipated reactions of the consumers. Considering the same he decided to add some unique features to the packaging and also decided to provide free home delivery of the products.

The above case relates to a concept which is considered to be an effective competitive marketing weapon. In conditions of perfect competition most of the firms compete with each other on this concept in the marketing of goods and services.

(a) Identify the concept.

(b) Explain briefly any four factors discussed in the above case related to the concept so identified.

[5]

Question 23

Karan Nath took over 'D' north Motor Company' from his ailing father three months ago. In the past the company was not performing well. Karan was determined to improve the company's performance. He observed that the methods of production as well as selection of employees in the company were not scientific.

He believed that there was only one best method to maximise efficiency. He also felt that once the method is developed, the workers of the company should be trained to learn that 'best method'.

He asked the Production Manager to develop the best method and carry out the necessary training. The Production Manager developed this method using several parameters right from deciding the sequence of operations, place for men, machines and raw materials till the delivery of the product to the customers. This method was implemented throughout the organisation. It helped in increasing the output, improving the quality and reducing the cost and wastage.

Identify and explain the principles and the technique of scientific management followed by the

Production Manager in the above case.

[6]

Question 24

'Moga Industries Ltd,' approached a well established university in the city of Madurai to recruit qualified personnel for various technical and professional jobs. They selected Tanya, Ritu, Garima and Chetan for various Vacancies in the organisation.

After the selection and placement, 'Moga Industries Ltd,' felt the need to increase the skills and abilities, and the development of positive attitude of the employees to perform their specific jobs better. The company also realised that learning new skills would improve the job performance of the employees. Hence, the company decided to take action for the same.

a. Name the step of the staffing process regarding which the company decided to take action.

b. State the benefits of the action to 'Moga Industries Ltd.'

[6]

Question 25

Explain briefly any four factors affecting the fixed capital requirements of an organisation. [6]

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Answer 1

Decentralisation refers to delegating authority or decision-making power to the lower levels of hierarchy.

Answer 2

Method is a type of plan in which the way or manner to perform a task is provided. It differs from task to task.

Answer 3

Steps followed by Saurabh which are related to planning:

- i. Setting objectives
- ii. Developing premises

Answer 4

The factor affecting the working capital requirements of this industry is availability of raw materials.

Answer 5

The investor could not invest in the Treasury Bill as treasury bills can be bought for a minimum amount of Rs 25,000 and in multiples thereof.

Answer 6

An understanding of 'Marketing Management Philosophies' is important as it helps in determining the weightage to be given to different factors so that organisational objective can be achieved.

Answer 7

District Consumer Disputes Redressal Forum comprises one President and two other members, one of whom is a woman.

Answer 8

The labelling function being performed by the given statement is 'helps in the promotion of products'.

Answer 9

Basis	Formal organisation	Informal organisation
Origin	It is a result of rules and policies of a company.	It is a result of social interactions among

		employees.
Authority	It is based on hierarchical structure.	It is based on personal qualities of members.
Flow of communication	It takes place through the scalar chain.	It can take place in any direction.

Answer 10

Steps in the selection procedure after the employment interview and before the job offer:

- Background checks:** After the individual clears the interview, the organisation may ask for references such as from previous employers or other known persons. The references are then used to cross-check the information provided by the candidate.
- Selection decision:** When the candidate clears the tests and interviews, the final selection is done.
- Medical examination:** Some organisations may also conduct a medical examination, and the job is offered only when they are declared medically fit by a medical practitioner.

Answer 11

- (a) **Democratic style of leadership** is being followed by Sandhya as she encourages her teammates to set their own objectives and take decisions.
- (b) Two positive aspects of informal communication which are used by Sandhya:
- Spread of information is faster when it flows through an informal path.
 - Through informal communication, managers can get to know the true thinking or mindset of employees which can prove helpful in decision making.

Answer 12

Option A is better than Option B for the company to finance its future fixed capital needs.

Reason: In Option A, Rate of return on investment (10–12%) > Rate of interest on borrowings (9%)

Concept used: Trading on equity

Answer 13

Consumer protection plays an important role for businesses in the following ways:

- Long-Term Interest:** For any business, consumer satisfaction is essential. In today's times, with increasing competition, consumer satisfaction has become all the more important. As the organisation takes care of the interests of consumers, it builds goodwill and reputation in the market. This in turn helps in increasing the sales and profits of the business. Thus, protecting consumer's interests benefits the business in the long run.
- Use of Resources:** Any business survives on the basis of society. It uses the resources of society for its various production activities. It earns profits with the sale of these goods and services to society. Thus, the business must take care of the interest of society and supply goods and services which adhere to the overall interests and well-being of society.

Answer 14

Yumco Ltd. has adopted the **functional organisational structure**. Three advantages of the functional organisational structure:

- i. **Occupational specialisation:** Activities of a similar nature are grouped together in departments. Employees perform the same functions repeatedly. Thus, it leads to occupational specialisation.
- ii. **Easy training:** It is easy to train employees as the focus is on a limited range of skills.
- iii. **Better control and coordination:** There is better control and coordination within a department as similar tasks are performed within the department.

Answer 15

The given case highlights the **planning** function of management. The features of planning discussed in the given case:

- i. **Planning focuses on achieving objectives:** Planning starts when an objective is set and proper planning gives a boost to a well-organised and goal-oriented management. Plans ensure that the desired objective is attained economically and quickly, if possible.

Quote 1: He shifted to Begampur, Chhattisgarh, to fulfil his grandmother's dream of converting their 25-acre ancestral land into a fertile farm.

- ii. **Planning is futuristic:** Being an intellectual process, planning seeks to bridge the gap between where we are and where we want to go; it is a trap to capture the future, i.e. it is futuristic in nature.

Quote 2: He wanted to ensure that the future events meet effectively the best interests of the company. Through sales forecasting, he prepared an annual plan for production and sales.

- iii. **Planning involves decision making:** After coming up with all possible alternatives and its outcome, the managers need to evaluate them. This evaluation is based on the utility and consequences of the options and the performance study of various actions.

Quote 3: He not only identified but evaluated various alternatives through which the farms could be utilised for the remaining months of the year.

- iv. **Planning is a mental exercise:** Planning is a mental activity, in which the manager uses his mind for logical and systematic thinking.

Quote 4: Through correct foresight and logical and systematic thinking based on analysis of all facts, all alternatives were examined and evaluated.

Answer 16

Points highlighting the importance of controlling in an organisation:

- i. **Achieving goals:** Controlling ensures that various activities are carried out correctly according to the plans. It ensures that deviations if any are identified and appropriate corrective action is taken.

- ii. **Reviewing standards:** An effective control system ensures that standards are set accurately. As the business environment changes, it ensures that the standards are also reviewed so as to adapt to the changes taking place.
- iii. **Enables efficiency in resource utilisation:** An effective control system ensures that there is minimum wastage of resources. In other words, it ensures that the resources are utilised optimally and in the most efficient manner.
- iv. **Better motivation:** With controlling, employees know what is expected from them and how their performance would be evaluated. This clarity motivates employees to perform better.

Answer 17

- (a) The incentive provided by 'Goodcare Hospitals' to its doctors through running trophies is **Employee Recognition Programme.**
- (b) **Esteem needs** of the doctors will be fulfilled through the employee recognition programme.
- (c) The values that the CEO of 'Goodcare Hospitals' is trying to communicate to the society:
 - i. Healthcare to rural people
 - ii. Upliftment of poor in rural areas

Answer 18

Protective functions of Securities and Exchange Board of India:

- i. One of the major objectives of SEBI is to check malpractices such as insider trading, violation of rules and non-adherence to the Companies Act.
- ii. SEBI provides investors with information about companies as required by them.
- iii. SEBI provides guidelines related to investment in securities. In this way, it enables investors to take well-informed decisions.
- iv. SEBI provides a code of conduct for the trade practices of various intermediaries such as brokers and merchant bankers. It keeps a check on the activities of these intermediaries and provides them a competitive environment.

Answer 19

- (a) The responsibility which Sumit had to fulfil as an aware consumer to get the services of the company is to **learn the risks associated with the products and services, follow manufacturer's instructions and use the products safely.**
- (b) Two rights which Sumit could have exercised had he fulfilled his responsibility:
 - i. **Right to be Heard:** It is the right of consumers to be heard in an appropriate legal forum in case of any grievance or dissatisfaction faced by them. In other words, a consumer has the right to file a complaint in case of any grievance.
 - ii. **Right to Seek Redressal:** It is the right of consumers to seek redressal in case of a grievance and, if required, demand a suitable compensation. The Consumer Protection Act provides for compensation in the form of replacement of product, cash compensation and repair/removal of defects.

Answer 20

Coordination refers to the process through which the various functions of management are synchronised towards the common goals and objectives of the organisation.

Features of Coordination:

- i. **Integrates group efforts:** Coordination acts as a binding force in the organisation in the sense that it unifies the efforts of various individuals in the organisation towards the achievement of common goals and objectives of the organisation.
- ii. **Team activity:** Coordination is essentially a team activity as it synchronises the contribution of all individuals for the accomplishment of organisational goals. That is, it combines the performance of individual workers for achieving the goals set.
- iii. **Collective enforcement:** The primary aim of coordination is to combine the contribution of all employees. It is a function which unifies the different functions of management. It makes sure that employees of an organisation work synchronously towards achieving organisational goals.
- iv. **Recurring process:** Coordination is a recurring process. It develops a medium among the functions of management. Coordination initiates in the beginning, i.e. from planning, and repeats till the end, i.e. till controlling. It ensures that goals are accomplished in accordance to the predetermined targets.

Answer 21

(a) The feature of the business environment discussed in the above paragraph is **specific and general forces**. Specific forces refer to the external forces or institutions which exist outside an organisation and with which an organisation has to interact during its working course. General forces refers to those external forces which exhibit broad trends and conditions affecting all organisations.

(b) Points highlighting the importance of business environment for business enterprises:

- i. **Accumulating useful resources:** Environment offers itself as a source of inputs such as raw material, machinery and labour for the running of an organisation. In return, the business supplies the environment with its output. This is possible only if the enterprises have an understanding of what the environment desires and what it can offer.
- ii. **Adjusting to changes:** Business environment is dynamic in nature and is prone to numerous socio-economic changes. A careful analysis and understanding of the environment helps an enterprise to adapt with these changes and to take timely action.
- iii. **Formulating plans and policies:** Understanding and analysing opportunities and threats help a business frame suitable plans and policies in view of the current scenario.
- iv. **Improving performance:** The main aim of analysing and understanding the environment is to improve a firm's performance and efficiency. The future of an organisation depends on how closely it bonds with the environment and thrives to survive its ever changing policies.

Answer 22

(a) The concept discussed in the given paragraph is ***price of the product***.

(b) Four factors discussed in the above case:

- i. Quoted Line: After gathering and analysing information and doing correct marketing planning, he came to know that consumers compare the value of a product to the value of money which they are required to pay. Consumers will be ready to buy a product when they perceived that the value of the product is at least equal to the value of money which they would pay.

Factor: ***The Utility and Demand***

- ii. Quoted Line: He examined the quality and features of the products of competitors and the anticipated reactions of consumers.

Factor: ***Extent of competition in the market***

- iii. Quoted Line: Considering the same he decided to add some unique features to the packaging and also decided to provide free home delivery of the products.

Factor: ***Marketing methods used***

- iv. Quoted Line: Since he was entering into a new market, he felt that he may not be able to cover all costs. He knew that in the long run, the business will not be able to survive unless all costs are covered in addition to a minimum profit.

Factor: ***Product cost***

Answer 23

The principles and technique of scientific management followed by the Production Manager in the above case:

- i. ***Method study***: One must determine the best way of doing a particular task. The method so determined must aim at minimising the cost and maximising the quality. One of the popular examples of this study is the assembly line production used by Ford Motors.

Quote 1: He believed that there was only one best method to maximise efficiency. The Production Manager developed this method using several parameters right from deciding the sequence of operations, place for men, machines and raw materials till the delivery of the product to customers.

- ii. ***Science, Not Rule of Thumb***: According to Taylor, instead of rule of thumb, scientific management practices should be followed. Under rule of thumb, a trial and error method is used wherein each manager handles a situation in his own manner as and when it arises. According to Taylor, scientific management practices should be used. The best method of doing a task which would maximise efficiency should be developed. It would then replace the rule of thumb method. This would help in reducing the cost and improving efficiency.

Quote 2: He observed that the methods of production as well as selection of employees in the company were not scientific.

- iii. ***Development of workers to their greatest efficiency and prosperity***: According to Taylor, the overall efficiency and productivity in an organisation depends on how

competent the individual employees are. Accordingly, to improve the overall productivity and efficiency, the working capabilities of employees must be improved. For this, they must be given proper training and education.

Quote 3: He also felt that once the method is developed, the workers of the company should be trained to learn that 'best method'.

Answer 24

- i. The step of the staffing process regarding which the company decided to take action is **training and development**.
- ii. Benefits of training and development:
 - a) **Less Wastage:** With training, employees learn to work systematically without the need of any hit and trial method. This helps in reducing the wastage of time and money.
 - b) **Higher Profits:** By developing the skills of individuals, it makes them more efficient and productive. With increase in overall productivity, the profits of the organisation rise.
 - c) **Managerial Efficiency:** Training imparts self-confidence among employees to face new challenges. It helps them to better deal with varied situations and problems.
 - d) **Reduced Absenteeism:** Effective training helps in boosting self-confidence and self-reliance of employees, which in turn helps in reducing absenteeism and employee turnover in the organisation.
 - e) **Less Accident Prone:** With proper training, employees become more efficient in handling complex machines. This helps in reducing the chances of an accident.

Answer 25

Factors affecting the fixed capital requirements of an organisation:

- i. **Scale of operations:** A company which is operating in a large-scale of operations will require larger fixed assets in the form of plants, land and building.
Larger organisation ⇒ Higher investment in fixed assets
Small organisation ⇒ Lower investment in fixed assets
- ii. **Choice of technique:** A company may use labour-intensive or capital-intensive techniques. A company using capital-intensive techniques will require larger fixed assets, whereas a company using labour-intensive technique will require less fixed assets.
Capital-intensive organisation ⇒ Higher investment in fixed assets
Labour-intensive organisation ⇒ Lower investment in fixed assets
- iii. **Technology upgradation:** Due to changes in technology or it becoming obsolete over time, companies require a large amount of investment in fixed capital. For example, certain machinery becomes obsolete very soon compared to other assets such as furniture. Therefore, a larger fixed capital is required for upgradation.
Faster upgradation ⇒ Higher investment in fixed assets
Slower upgradation ⇒ Lower investment in fixed assets
- iv. **Financing alternatives:**

If leasing facilities are available without any lengthy procedures in the financial market, then the fixed capital requirements will be less.

Non-availability of financing alternatives \Rightarrow More fixed capital

Availability of financing alternatives \Rightarrow Less fixed capital

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Note:

- Please check that this question paper contains 12 printed pages.
- Code number given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.
- Please check that this question paper contains 25 questions.
- **Please write down the Serial Number of the question before attempting it.**
- 15 minutes time has been allotted to read this question paper. The question paper will be distributed at 10.15 a.m. From 10.15 a.m. to 10.30 a.m., the students will read the question paper only and will not write any answer on the answer-book during this period.

General Instructions:

- (i) **All** questions in both the sections are compulsory.
- (ii) Marks for questions are indicated against each question.
- (iii) Questions No. **1 – 8** are very short-answer questions carrying **1** mark each. They are required to be answered in one sentence each.
- (iv) Questions No. **9 – 13** are short answer questions carrying **3** marks each. Answers to them should normally not exceed **50 – 75** words each.
- (v) Questions No. **14 – 19** are also short answer questions carrying **4** marks each. Answers to them should normally not exceed **150** words each.
- (vi) Question No. **20 – 22** are long-answer questions carrying **5** marks each. Answers to them should normally not exceed **150** words each.
- (vii) Question No. **23 – 25** are long-answer questions carrying **6** marks each. Answers to them should normally not exceed **200** words each.
- (viii) Answers should be brief and to the point and the above word limits should be adhered to as far as possible.

1. Give the meaning of 'supervision' as an element of directing. [1]
2. Differentiate between 'formal' and 'informal' organisation on the basis of 'flow of communication'. [1]
3. Why is 'Aptitude Test' conducted in the process of selection? [1]
4. 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, Sales, 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. [1]

5. 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 months. 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. [1]

6. What is meant by 'Capital Structure'? [1]

7. Sika Ltd., a reputed industrial machines manufacture, needs Rupees twenty crores as additional capital to expend 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]

8. 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. [1]

9. Explain briefly 'Unity of Direction' and 'Order' as principles of general management. [3]

10. State any three features of planning. [3]

11. Explain briefly any three semantic barriers to communication. [3]

12. 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. [3]

- 13.** 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 paragraph. [3]

- 14.** Rishitosh Mukerjee 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 is 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. [4]

- 15.** Sanket, after completing his entrepreneurship course from USA 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 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 management institute as a manager to find out the causes of the business not doing well.

Riya, took a 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, within 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. [4]

16. Give the meaning of 'Strategy' and 'Rule' as types of plans. [4]

17. Explain briefly 'Casual Callers' and 'Labour Contractors' as external sources of recruitment. [4]

18. 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 every day. 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. [4]

19. 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's 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 a 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. [4]

20. Nandradhal 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.[5]

21. State any five points that highlight the importance of controlling. [5]

22. '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 filed 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.[5]

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 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]

24. Explain briefly any four factors that affect the Working capital requirements of a company. [6]

25. 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). [6]

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Answer 1

Supervision as an element of directing can be understood as a process of guiding the efforts of employees and other resources to accomplish the desired objectives. It can be simply taken as overseeing the work of subordinates and providing them proper instructions to ensure the optimum utilisation of resources and simultaneously achieving work objectives.

Answer 2

Basis	Formal Organisation	Informal Organisation
Flow of Information	Communication occurs through the scalar chain	Communication is not through a planned route and can take place in any direction

Answer 3

Product combination is used by the company to promote sales.

Answer 4

Workforce analysis is used by the Human Resource Manager to find out the number and type of personnel available.

Answer 5

Measurement of actual performance is the step which is taken by the Production manager that is related to controlling function of management.

Answer 6

Capital structure refers to the ratio of debt and equity in the total capital of a company. Algebraically,

$$\text{Capital Structure} = \frac{\text{Debt}}{\text{equity}} \text{ or, } \frac{\text{Debt}}{\text{Debt}+\text{equity}}$$

Answer 7

Offer for sale is used by the company to raise additional capital.

Answer 8

Product combination is used by the company to promote sales.

Answer 9

- i. **Unity of Direction:** According to this principle, there must be a common direction of work in the organisation. This direction of work is provided by the common

objectives of the organisation. According to the objectives, each unit should have a head and a defined plan which must be followed. Following this principle helps in avoiding overlapping of tasks and activities. For example, if an organisation deals in manufacturing more than one product, then various activities related to each product should be handled by separate departments.

- ii. **Order:** According to this principle, for efficiency to improve, there must be proper arrangement of things in the organisation. In other words, material things and people should be at the right place. This helps in smooth operations. For instance, files and other data must be arranged in proper order so that they can be easily located and used when required.

Answer 10

Features which a manager needs to consider while planning:

- i. **Focus on objectives:** Planning starts when an objective is set, and proper planning gives a boost to a well-organised and goal-oriented management. Plans ensure that the desired objective is attained economically and quickly, if possible. Managers must make sure that the plans made are purposeful, specific, realistic and clear and should adhere to the company's strategies, procedures and policies. For example, if a sales target is to be achieved, then the plans must be made in sync with this objective.
- ii. **Acts as a stepping stone:** A goal is achieved through planning, organising, staffing, directing and controlling. Planning thus serves as the stepping stone for all the other functions of an organisation. The rest of the functions are conducted within the framework of the plans drawn, i.e. the other functions are interrelated and interdependent on planning. Thus, planning acts as the primary function for all organisations.
- iii. **Pervasiveness:** Planning must be done at all levels of the management and in all departments of the organisation. However, its scope differs along the various dimensions of business levels. For example, top level managers have to chalk out policies regarding the overall management, whereas middle level managers plan out the authority to be assigned to subordinates or departmental planning. On the other hand, lower level managers are involved in day-to-day operational planning and making small targets.

Answer 11

Semantic barriers of communication refer to barriers where there is a problem in decoding the message because of factors such as difficulty in interpretation, wrong translations or wrong use of words. Some causes of semantic barriers:

- i. **Badly expressed message:** There may be difficulty in expressing the information because of poor vocabulary or wrong use of words.
- ii. **Symbols with different meanings:** Sometimes, a single word may have many different meanings. In such cases, it may be difficult for the receiver to interpret the intended meaning of the word.

- iii. **Faulty translations:** Sometimes, it may happen that there is a language barrier between workers such that the level of proficiency of a language may be different for the two. For instance, while managers may be proficient in English, workers may not be proficient in English. In such cases, information must be appropriately translated. However, in the process of translation, information may get misinterpreted.

Answer 12

Financial planning has been discussed in the paragraph. Financial planning involves identifying the sources from where the funds can be obtained and ensuring that the required funds are available to the firm as and when needed. One of the basic objectives of financial planning is to ensure that there is neither shortage of funds nor excess funding (glut).

Points highlighting the importance of financial planning are

- i. Financial planning helps in forecasting the future. For instance, with financial planning, it is possible to forecast whether an expansion would be beneficial in terms of sales and profits.
- ii. It would help in avoiding situations such as shortage or surplus of funds.

Answer 13

The following are the various types of thinking that guided Hemant, Guddu and Toshita in the marketing efforts of their business.

- i. **Societal marketing concept-** According to the societal concept of marketing, organisations must work according to the needs and desires of the target market. The organisation must identify what is required by target customers and accordingly work towards delivering the results in the most effective and efficient manner. In addition, other aspects of consumer well-being (namely ecological, ethical and social) must be taken into consideration by the organisation.
- ii. **Selling concept-** As per selling concept, customers would not buy or not buy enough unless they are adequately convinced and motivated for the same. In order to sell the products, products should be aggressively promoted. In this regard, advertising, personal selling and sales promotion techniques can be used by the organisation.
- iii. **Marketing concept-** According to the marketing concept of marketing management, the primary focus of business should be on customer satisfaction. It is based on the belief that customer satisfaction is the most important factor which determines the success of an organisation. A business must identify the target customer base and the market for which the efforts of the market should be made. It must keep in mind that it can survive in the long run only if it works effectively towards customer satisfaction.

Answer 14

- (a) Mr Rishitosh Mukerjee is at the middle level of management. Managers at the middle level are the ones who link the top management with the operational management.
- (b) Three more functions required to be performed by Mr Rishitosh Mukerjee are
- To suitably assign the required tasks and duties to various personnel
 - To continuously motivate the personnel to work towards the achievement of common goals and objectives of the organisation
 - Coordinating the functions of the division with the functions of other divisions or division heads

Answer 15

Riya analysed and found that there were many unnecessary obstructions which could be solved through fixing standard time and discontinuing the sale of flavours not demanded in the market. Hence, Riya adopted the following two techniques of scientific management to solve the problem of the business:

- Time Study:** According to this technique, there must be a standard time limit for the completion of a task. With repeated observations with regard to time taken in completing a task, a standard limit is set. This helps in deciding the number of employees which would be required in completing a task. For example, if it is observed that one person can manufacture one unit of a commodity in two hours, then in a working day of 8 hours, each worker can manufacture 4 units of the commodity.
- Simplification and Standardisation of Work:** Standardisation refers to a process wherein standards are set for any production activity. The standard is then used as a benchmark for evaluating the tasks done. In simplification, unnecessary varieties in design, size etc. which add to the cost should be avoided. This technique aims at full and efficient utilisation of resources, reducing inventories and increasing the turnover.

Answer 16

- Strategy and rules as types of plans**

Strategy refers to a broad outline for the business of an organisation. Strategic decisions mainly include the decision whether to continue on the same business lines or to adapt new organisational activities or to bring about any major kind of change so as to make a dominant stand for itself in the competitive market. It has three broad objectives:

- To determine the objectives
- To decide the course of action
- To allocate necessary resources for the achievement of the objectives

Few strategic decisions which a business organisation may look out for are

- Deciding about which line of business should be taken
- Whether a new line of production should be adopted or not
- What position the company should aim for in the existing market
- What kind of pricing policy should be used

ii. **Rules**

Rules refer to standard or specific statements which inform us about what is to be done. It is quite similar to plans because both of them facilitate the achievement of objectives. Rules state what need not be done and what needs to be done, whereas planning points out what to do and how to do. They can be viewed as the simplest of plans. However, rules are rigid in nature, i.e. do not allow flexibility or discretion and are to be followed as is, unless a change is stated by the organisation. Non-compliance of rules leads to disciplinary actions by the organisation. For example, an organisation may have rules regarding the punch-in timings of the employees and every employee of the organisation must follow this rule. Rules act as a guide for general behaviour of the employees in the organisation.

Answer 17

An organisation has to switch to external sources of recruitment as all the positions cannot be filled in through internal sources only. Casual Callers and Labour Contractors are regarded as two external sources of recruitment.

Casual Callers: This is database of unsolicited applicants kept by business organisations which is referred to fill in vacancies when they arise. A list of job-seekers is prepared using the database with the firm which is later screened to fill in the suitable position with the business organisation. This method is less expensive and is regarded as a major source of recruitment.

Labour Contractors: Recruitment through labour contractors is quite a good source of recruitment. This is because labour contractors maintain close contacts with labourers and they can provide the required number of unskilled workers at a short notice. Labour contractors are themselves employees of the organisation who further employ workers under them. However, this system has an inherent limitation which is witnessed when the contractor who recruits these workers decides to leave and takes all his/her contractual workers with him.

Answer 18

- i. The function being performed by the market in the given case is facilitating economic growth. By facilitating the sale and purchase of securities, the stock market helps in channelising the savings to most productive investment. This in turn promotes capital formation and economic growth.
- (a) Unsecured and short-term debt instruments are traded in the money market. The money market is the market which deals in short-term securities and whose maturity is less than one year. Because of their short maturity period, the assets in the money market can be regarded as very close substitutes of cash.

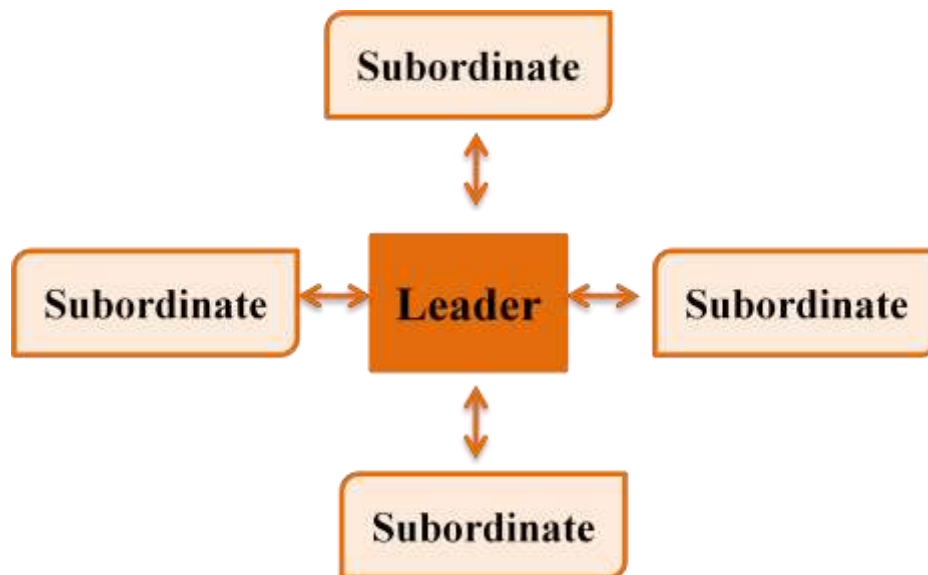
Basis of Difference	Capital Market	Money Market
Time Span of Securities	Capital market deals in long-term and medium-term securities having a	Money market instruments have a maturity period of maximum one year.

	maturity period of more than a year.	
Liquidity	Securities in the capital market are liquid only to a certain extent that they are tradable on stock exchanges. However, they are comparatively less liquid than money market securities.	Securities in the money market are highly liquid as DFHI provides a ready market for them.
Returns Expected	They offer higher possibility of gain as securities are for a longer period.	As securities have a shorter maturity period, the expected return is lower.

Answer 19

(a) The leadership style followed by Avdesh is **Democratic or Participative leadership**.

Quote for Democratic leadership: '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 Avdesh was positive towards employees of the organisation.'



(b) Values highlighted by the behaviour of Avdesh are

- (i) **Building team spirit** as Avdesh's behaviour towards the employees was positive
- (ii) **Care for employees** as he visited Priyanka and advised her to take adequate rest

Answer 20

(a) Two major concepts related to government policy which have been discussed in the above paragraph are

- 1) **Liberalisation:** Liberalisation refers to progressive elimination of government control and restrictions in the form of licenses, permits and quotas. The main aim was to liberalise the Indian business industry from excessive government control and to give complete freedom to make their own decisions regarding the investments, marketing, pricing and production.

Quote for Liberalisation- 'Company decided to take advantage of the fact that licensing requirements had been abolished.'

- 2) **Globalisation:** Globalisation refers to the process of securing socioeconomic integration and development of various economies of the world. It is a conscious and active process associated with free flow of information, knowledge, services and goods so as to expand business and trade across the borders of countries. It aims at increasing openness, growing economic independence and promoting economic integration in the world economy.

Quote for Globalisation: '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.'

(b) Impacts of Liberalisation and globalisation on Indian business and industry are

- i. **Increased competition:** The policy allowed easy entry of foreign firms and abolition of licensing. The domestic companies thus, have to compete with the international firms in the market which is a serious challenge and threat to them.
- ii. **Increased demand:** Because of the fierce competition from the foreign market and new businessmen joining the production line, there has been a tremendous increase in customers' demands for better choice of goods and services.
- iii. **Change in business policies:** The business enterprises had to alter their policies and operations from time to time following the government policies under new industrial policy.

Answer 21

Controlling refers to making sure that the various activities and tasks in an organisation are carried out according to the predefined goals and objectives.

Points highlighting the importance of planning in an organisation:

1. **Achieving goals:** Controlling ensures that various activities are carried out correctly according to plans. It ensures that deviations if any are identified and appropriate corrective action is taken.

2. **Reviewing standards:** An effective control system ensures that the standards are set accurately. As the business environment changes, it ensures that the standards are also reviewed so as to adapt to the changes taking place.

3. **Enables efficiency in resource utilisation:** An effective control system ensures that there is minimum wastage of resources. In other words, it ensures that the resources are utilised optimally and in the most efficient manner.

4. **Better motivation:** With controlling, employees know what is expected from them and how their performance would be evaluated. This clarity motivates employees to perform better.

5. **Maintain order:** Controlling helps keep a close watch on the activities and behaviour of employees. In this way, it helps in maintaining order and discipline in the organisation.

Answer 22

(a) Six directions which might have been issued by the court:

- i. Removing the deficiency in the pest control service
- ii. To provide the pest control service again
- iii. Refunding the cost of pest control
- iv. Removing any misleading advertisements and passing orders for issuing a correct advertisement
- v. Crediting an appropriate amount to the Consumer Welfare Fund
- vi. To discontinue exploitative practice and not to repeat the same in future

(b) Values communicated by RO Youth Club to society are

(i) **Fulfilling social responsibility** as RO Youth Club visited an Old Age Home so that they can do some social work

(ii) **Providing hygienic and clean environment** as the club decided to clean the premises

Answer 23

(a) Delegation is used by Anoop Gaur. This helped him in focussing on the objectives. Delegation refers to the act of transferring authority to lower levels in the hierarchy. For effective and smooth functioning, delegation is important for an organisation. Delegation helps in lowering the burden of top-level managers and thereby enables them to focus on other priority areas. Moreover, with delegation, the area of operations can be easily extended.

(b) Importance of delegation:

- i. **Managerial Efficiency:** With delegation, the burden of the top managers gets reduced to a large extent. They can focus on priority areas (such as research and innovation)

while the routine work is handled by subordinates independently. In this, efficiency of managers is increased.

- ii. **Employee Proficiency:** Delegation proves beneficial to subordinates as well in the sense that it provides them with the opportunity to work independently and apply their own creativity and skills. This helps in their growth and development.
- iii. **Motivation:** Delegation of authority proves psychologically beneficial to subordinates. It motivates them to work to the best of their efficiency. It helps in developing a feeling of trust and commitment between superior and subordinate.
- iv. **Growth:** With delegation, employee proficiency is increased. In other words, it helps in preparing future managers take up leading positions and greater responsibilities. This supports the growth and expansion of the organisation.

Answer 24

Working capital refers to current assets which help in day-to-day business operations. For example, cash, debtors and stock. Working capital has an impact on both liquidity and profitability of a business.

Four factors affecting working capital requirement of a company

- i. **Type of Business:** The nature of business is one of the important determinants of working capital requirement.
For instance, organisations dealing in services have shorter operating cycles, i.e. no processing is done in such organisations. Accordingly, they require low working capital.
As against this, an organisation dealing in manufacturing would require large working capital. This is because it involves a large operating cycle, i.e. the raw materials first need to be transformed to finished goods before they are offered for sale.
- ii. **Scale of Operations:** Firms which operate on a larger scale require greater working capital than those which operate on a lower scale. This is because firms with greater scale of operations are required to maintain high stock of inventory and debtors. As against this, a business with smaller scale of operation requires less working capital.
- iii. **Fluctuations in Business Cycle:** In various phases of the business cycle, the requirement of working capital is different. For instance, in the phase of boom, both production and sales are higher. Accordingly, the requirement of working capital is also high. As against this, in the phase of depression, the demand is low, and so production and sale are low. Accordingly, there is less requirement of working capital.
- iv. **Production Cycle:** Production cycle refers to the time gap between receiving goods and their processing into final goods. Longer the production cycle for a firm, larger are the requirements of working capital and *vice versa*. This is because a longer production cycle would imply greater inventories and other related expenses, so greater requirement of working capital.

Answer 25

(a) Factors influencing the choice of channels of distribution which were discussed in the meeting are

- i. **Product related factors**- 'Machines were sophisticated they need to visit hospitals personally to explain its working to the hospital staff who would be using the machines.'
- ii. **Company characteristics**- 'The company was short of funds to pay the additional staff.'
- iii. **Market factors**- "Size of the order was not large.'

(b) i. **Product-related factors**- Machines are complex products requiring technical details. Thus, shorter channels would be more suitable.

ii. **Company characteristics**- There financial strength of the company determines the channel of distribution used by it. Shorter channels of distribution require greater funds. However, in the given case, the company is short of funds and thus would opt for indirect channels of distribution.

iii. **Market factors**- The size of the order determines the choice of channels of distribution which the company opts. Since the size of the order is not large, the company should go for large number of intermediaries.

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All India Board Paper Set 1 – 2016

Time: 3 hrs

Max. Marks: 80

Note:

- Please check that this question paper contains 12 printed pages.
- Code number given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.
- Please check that this question paper contains 25 questions.
- **Please write down the Serial Number of the question before attempting it.**
- 15 minutes time has been allotted to read this question paper. The question paper will be distributed at 10.15 a.m. From 10.15 a.m. to 10.30 a.m., the students will read the question paper only and will not write any answer on the answer-book during this period.

General Instructions:

- (i) **All** questions in both the sections are compulsory.
- (ii) Marks for questions are indicated against each question.
- (iii) Questions No. **1 – 8** are very short-answer questions carrying **1** mark each. They are required to be answered in one sentence each.
- (iv) Questions No. **9 – 13** are short answer questions carrying **3** marks each. Answers to them should normally not exceed **50 – 75** words each.
- (v) Questions No. **14 – 19** are also short answer questions carrying **4** marks each. Answers to them should normally not exceed **150** words each.
- (vi) Question number **20 – 22** are long-answer questions carrying **5** marks each. Answers to them should normally not exceed **150** words each.
- (vii) Question number **23 – 25** are long-answer questions carrying **6** marks each. Answers to them should normally not exceed **200** words each.
- (viii) Answers should be brief and to the point and the above word limits should be adhered to as far as possible.

1. 'Is Management concerned only with doing the right task, completing activities and achieving goals without taking into consideration the cost benefit?' Give reason in support of your answer. [1]
2. Give the meaning of 'organising as a process'. [1]
3. Name the type of organisational structure which promotes flexibility and initiative. [1]
4. State the role of 'route clerk' in functional foremanship. [1]

5. Name and state the aspect of financial management that enables to foresee the fund requirements both in terms of 'the quantum' and 'the timings'. [1]

6. Rizul Bhattacharya after leaving his job wanted to start a Private Limited Company with his son. His son was keen that the company may start manufacturing of Mobile-phones with some unique features. Rizul Bhattacharya felt that the mobile phones are prone to quick obsolescence and a heavy fixed capital investment would be required regularly in this business. Therefore he convinced his son to start a furniture business.
Identify the factor affecting fixed capital requirements which made Rizul Bhattacharya to choose furniture business over mobile phones. [1]

7. Name the function of marketing which is concerned with the cost and location of target market. [1]

8. Suman bought a box of cheese of a reputed brand from a local shopkeeper. On opening the box she found a piece of stone in the cheese. She reported the matter to the shopkeeper who forwarded her complaint to the concerned company. Within a week the representative of the company visited Suman's residence with an apology and as a replacement offered her a new cheese pack with four other varieties of cheese as compensation for the inconvenience to her.
State the consumer right which Suman exercised. [1]

9. Define 'Planning'. Explain the first two steps in the process of Planning. [3]

10. Mr. Fernandes is the owner of Unibie Enterprises, carrying on the business of manufacturing electrical appliances. There is a lot of discontentment in the organisation and targets are not being met. He asked his son, Michel, who has recently completed his MBA, to find out the reason.
Michel found that all decision making of the enterprise were in the hands of his father. Moreover, his father did not have confidence in the competency of the employees. Thus the employees were not happy.
 - a. Identify any two communication barriers because of which 'Unibie Enterprise' was not able to achieve its target.
 - b. State one more barrier each of the types identified in part (a) above. [3]

11. Atul-The Assistant Manager. Vikas-The Marketing Head and Leena. The Human Resource Manager of 'Montac Enterprises Ltd.' decided to leave the company.
The Chief Executive officer of the company called the Human Resource Manager. Leena and requested her to fill up the vacancies before leaving the organisation, Leena suggested that her subordinate Miss Rama Wadhwa is very competent and trustworthy, if she could be moved up in the hierarchy, she would do the needful. The Chief Executive Officer agreed for the same. Miss Rama Wadhwa contacted 'Smith Recruiters' who advertised for the post of marketing head for 'Montac Enterprises Ltd'. They were

able to recruit a suitable candidate for the company. Atul's vacancy was filled up by screening the database of unsolicited applications lying in the office.

- a. Name the internal/external sources of recruitment used by 'Montac Enterprises Ltd', to fill up the above state vacancies.
- b. Also state any one merit of each of the above identified source of recruitment. [3]

12. Mr. Vikas Mehra was the Chairman of 'IBM Bank'. The Bank was earning good profits. Shareholders were happy as the bank was paying regular dividends. The market price of their shares was also steadily rising. The bank was about to announce the taking over of 'UK Bank'. Mr. Vikas Mehra knew that the share price of 'IBM Bank' would rise on this announcement. Being a part of the Bank, he was not allowed to buy shares of the bank. He called one of his rich friends Mukund and asked him to invest Rs 4 crores in shares of his bank promising him the capital gains. As expected after the announcement, the share prices went up by 50% and the market price of Mukund's shares was now Rs 6 crores. Mukund earned a profit of Rs 2 crores. He gave Rs 1 crore to Vikas Mehra and kept Rs 1 crore with him. On regular inspection and by conducting enquiries of the brokers involved, Securities and Exchange Board of India (SEBI) was able to detect this irregularity. SEBI imposed a heavy penalty on Vikas Mehra. Quoting the lines from the above para identify and state any two functions performed by SEBI in the above case.[3]

13. What is meant by a 'consumer' as per the provisions of Consumer Protection Act, 1986?[3]

14. What is meant by 'Management'? Explain its any three features that establish it as an Art. [4]

15. With change in the consumption habits of people. Neelesh, who was running, a sweets shop shifted to chocolate business. On the eve of Diwali he offered chocolates in attractive packages at reasonable prices. He anticipated huge demand and created a website chocolove.com for taking orders online. He got lot of orders online and earned huge profit by selling chocolates. Identify and explain the dimensions of business environment discussed in the above case. [4]

16. 'My Car Ltd.' decided to set-up its new car manufacturing factory in the backward area of West Bengal where very less job opportunities were available. People of that area welcomed this effort of 'My Car Ltd.' The company also decided to provide facilities like school, hospital, market etc. in the factory premises so that the people are attracted to join the factory as workers.

'My Car Ltd.' started earning huge profit. Another competing company asked its production manager 'Arvind' to investigate the reasons of earning huge profits by 'My Car Ltd.'

Arvind found that in both the companies there was systematic co-ordination among the various activities to achieve organisational goals. Every employee knew who was

responsible and accountable to whom. The only difference was that in his organisation communication took place only through the scalar chain, where as 'My Car Ltd.' was allowing flow of communication in all the directions as per the requirement which lead to faster spread of information as well as quick feed-back.

- a. Identify the type of organisation which permits the flow of communication in all the directions in 'My Car Ltd.'
- b. Also state an advantage of the type of organisation identified in part (a) above.
- c. State any two values which 'My Car Ltd.' wants to communicate to the society. [4]

- 17.** 'A.S. Environs Ltd.' is dealing in Environment-Consultancy. To get the business, the team leader and his team used to travel to different states to give presentation to their clients. As per the policy of the company, the team leader used to travel by air whereas his team travelled by road/train. It was not only time consuming but also at times forced the female team members to travel alone.

As a result the subordinates were not acting in a desired manner to achieve organisational goals. The CEO of the company came to know about it. He called the team leader, discussed the matter with him and decided to change the travel policy of the company. It was decided that in future all the members including the leader would travel together and usefully utilise the travelling time in discussion about the presentation to be given to the clients. This made a positive impact and every member of the team started acting in a manner as desired by the team leader. [4]

- 18.** A company was marketing 'Juicers' which were very popular due to their quality and after-sale-services prodded to the customers. The company was a leading company in the market and earning huge profits. Because of huge profits the company ignored the after sales, services. As a result its relations with the customers got spoiled and the image of the company in the public was damaged. Top management became concerned when the profits for the current quarter fell steeply. On analysis it was revealed that ignoring the after sales services was its reason. Therefore the company took all possible measures to protect and promote its favourable image. As a result the goodwill of the company improved in the society.

- a. Name and state the communication tool used by the marketer in the above case to improve its image.
- b. Also explain role of the tool as identified in Part (a). [4]

- 19.** State the functions performed by financial market. [4]

- 20.** Two years ago Mayank obtained degree in food technology. For some time he worked in a company manufacturing Bread and Biscuits. He was not happy in the company and decided to have his own Bread and Biscuits manufacturing unit. For this he decided the objectives and the targets and formulated action plan to achieve the same. One of his objective was to earn 50% profit on the amount invested in the first year. It was decided that raw materials like flour, sugar, salt etc. will be purchased on two months

credit. He also decided to follow the steps required for marketing the products through his own outlets. He appointed Harsh as a Production-Manager who decides the exact manner in which the production activities are to be carried out. Harsh also prepared a statement showing the requirement of workers in the factory throughout the year. Mayank informed Harsh about his sales target for different products, area wise for the forth coming quarter. While working on the production table a penalty of Rs 150 per day was announced for not wearing the helmet, gloves and apron by the workers. Quoting lines from the above para identify and explain the different types of plans discussed. [5]

21. Prateek is working in a multi-national company in Noida. He was running temperature for the last many days. When his blood was tested, he was found positive for malaria. He was admitted in the hospital and a blood transfusion was advised by the doctors as his condition was very serious. One of his colleagues sent a text message to his superior 'Mr. B. Chatterjee'. Mr. B. Chatterjee, immediately sent a text message to the employees of the organisation requesting them to donate blood for Prateek. When the General Manager came to know about it he ordered for fumigation in the company premises and for cleaning the surroundings.

- a. From the above para quote lines that indicate formal and informal communication.
- b. State any two features of informal communication.
- c. Identify any two values that are being communicated to the society in the above case. [5]

22. State the steps in the controlling process. [5]

23. Describe any four characteristics of 'co-ordination'. [6]

24. Kay Ltd. is a company manufacturing textiles. It has a share capital of Rs 60 lakhs. In the previous year its earnings per share was Rs 0.50. For diversification, the company requires additional capital of Rs 40 lakhs. The company raised funds by issuing 10% Debentures for the same. During the year the company earned profit of Rs 8 lakhs on capital employed. It paid tax @ 40%.

- a. State whether the shareholders gained or lost, in respect of earning per share on diversification. Show your calculations clearly.
- b. Also, state any three factors that favour the issue of debentures by the company as part of its capital structure. [6]

25. Vasvi purchased a bottle of pickle from the local grocery shop. The information provided on the bottle was not clear. She fell sick on consuming it. She filed a case in the District forum under Consumer Protection Act and got the relief.

- a. Identify the important aspect neglected by the marketer in the above case.
- b. Explain briefly the functions of the aspect identified in (a) above. [6]

CBSE
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Answer 1

The given statement is false. Management aims to utilise all resources available in an organisation efficiently. Efficiency implies minimisation of cost and time to achieve certain standard of performance. Hence, cost-benefit is not ignored by the operation of management.

Answer 2

Organising as a process refers to a structural framework in which an organisation operates to achieve its desired goals. It attempts to determine a methodical approach to use the available resources and workforce of the organisation in an optimum manner.

Answer 3

Flexibility and initiative are promoted by divisional structure.

Answer 4

In functional foremanship, the route clerk is responsible for elaborating the optimum route of production to the workforce of an organisation. He reports his performance directly to the planning in-charge.

Answer 5

‘Financial Planning’ is the division of financial management which makes an organisation to predict the need of business finance and the time required to generate the same. It attempts to develop a predetermined structure for the provision of finance in the business for its ventures.

Answer 6

‘Technology upgradation’ is the factor affecting fixed capital requirements.

Answer 7

The function of marketing which is concerned with the cost and location of the target market is **‘Transportation’**.

Answer 8

The right exercised by Suman is **‘Right to seek redressal’**.

Answer 9

Planning is a process which is primarily concerned with laying a foundation for the key goals of an organisation to be achieved. It makes sure that the organisation uses all its available resources to achieve the desired level of output in a given time. It ensures that the organisation follows a particular strategy in routine to achieve the desired results ultimately.

Two steps in the planning process:

- i. **Determining targets:** Planning serves the purpose of determining targets of the organisation in its initial stage so that the subsequent functions of management have some standards for comparing the actual targets. Planning makes sure that the organisation carries a particular vision of achieving a certain quantifiable target within a particular time period.
- ii. **Creating assumptions:** To determine specific targets, planning creates certain assumptions with respect to resources, people and business environment. Success of a plan depends directly on the accuracy of these assumptions and implementation of the plan.

Answer 10

- a. Two communication barriers due to which Unibie Enterprises were unable to accomplish their targets:
 - i. **Barriers at personal level:** Clear lines of communication are hindered by personal barriers present in an organisation. This happens when the management does not entrust its confidence in the employees. Managers should conduct discussions and ask employees for inputs to ensure that such barriers are resolved.
 - ii. **Barriers at organisational level:** Policies which suppress the initiatives to empower employees such as centralisation of all decisions, high attrition rates and low perks result in dissatisfaction among employees. This dissatisfaction hinders their performance.
- b.
 - i. One barrier at the organisational level is '**Rigid code of conduct**'. If an organisation follows extremely rigid rules and regulations, all its employees remain suppressed and dissatisfied. Organisations should promote good communication lines with their employees.
 - ii. One barrier at the personal level is '**Disregard and fear**'. When managers do not appreciate employees for their contribution, employees lose their motivation to perform. Also, fear blocks all lines of their communication with managers. This results in personal barriers.

Answer 11

- a. Internal/external recruitment sources used by 'Montac Enterprises Ltd.' to fill various positions:
 - i. **Promotion:** The human resource manager was recruited using promotion. Promotion is an internal source of recruitment.
 - ii. **Placement consultants:** The marketing head was recruited through an external source of placement consultants.
 - iii. **Casual callers:** The assistant manager was recruited using existing applications.

b. Merits of the above listed sources of recruitment:

Promotion: It creates employee engagement and inspires the employee to perform better.

Placement consultants: Placement consultants assist an organisation to acquire the necessary talent by providing their expertise in searching and attracting new talent.

Casual callers: Casual callers already exist in the database of the company, and hence, it involves the least cost to hire them as compared to other methods.

Answer 12

SEBI intervened to perform the following two functions in the given case:

- i. **Regulatory functions:** SEBI performed various inspections to determine whether brokers are guilty or not. This is a regulatory function.
- ii. **Protective functions:** SEBI imposed heavy fines on Mr Vikas Mehra to make sure that the interests of all the investors stay protected.

Answer 13

According to the Consumer Protection Act, a consumer is defined as follows:

- i. Any person who acquires any good in return of payment or promised to pay, partly paid and promised to pay the remainder of money. That is, it includes all people who get to use the commodity with the permission of the seller. However, those people who acquire the goods for the motive of selling it further for entrepreneurial ventures are not regarded as consumers.
- ii. Any person who purchases any service or employs a service for which he has paid or promised to pay, partly paid and promised to pay the remaining part, i.e. it includes all people who have acquired the service with the permission of the seller.

Answer 14

Management is the function of an organisation which is primarily responsible for achieving its desired goals in a given period of time in a time- and cost-efficient manner.

Features which establish management as an art:

- i. **Prevailing literary work:** All artistic formulations such as painting and poetry have a predefined outlook of literary knowledge. In a similar manner, the management also has a certain theoretical base so that aspiring managers can learn from it. Several literary theories and principles have been written by renowned management experts; for example, *Principles of Management* by Henry Fayol and *Scientific Management Theory* by Frederick Taylor.
- ii. **Variating implementation:** Art can be considered an implementation of existing knowledge in a personalised manner. That is each person implements the fundamental knowledge in his own personalised way. For example, all poetry forms have some basic structure. These steps are used by each poet by implementing his personal creative skillset. Also, managers implement the existing theories and principles according to the circumstances and situations in a personalised manner. That is, managers implement their personal skillset and creativity to apply management principles and theories.

- iii. **Persistence:** Achieving perfection in an art requires persistence and creative skills. The artist uses the prevailing theories by using his personal skillset and creativity. For example, two dancers can perform differently on the same song according to their set of skills. In a similar manner, a manager implements theoretical knowledge and sets of principles to various circumstances in accordance with his personal skillset and attempts to determine new solutions to existing problems.

Answer 15

Dimensions of business environment which are being referred to in the given case:

- i. **Social environment:** Change in the consumption habits of people implies a variation in the social environment of the country.

Explanation: The social environment includes the effect of changes in business environment due to cultural values, traditional procedures and festivities. Example: An increase in imports leads to a fall in the price of domestic currency and *vice versa*.

- ii. **Technological environment:** 'Created a website chocolove.com for taking orders online' implies a change in technological environment.

Explanation: Technological environment takes into account various changes in technology of an economy. It involves infrastructural changes and information technology revolution. For example, smartphones and e-commerce are the foundations of most business start-ups in the modern era. Competing with different market players would require a company to launch an app and a website.

Answer 16

- a. In the given case, '**Informal Organisation**' allows the communication to flow in all directions.
- b. Another advantage of informal organisation is that it allows employees to feel sociable, interactive and competitive. This results in better employee engagement and work culture. All these factors result in better productivity for the organisation by employees.
- c. '**My Car Ltd.**' wanted to communicate the following two values to the organisation:
 - i. A socially responsible corporation
 - ii. An employee-centric organisation

Answer 17

'Motivation' is the element of function of management used in the given scenario. A variation in travel policies changes the perspective of employees towards organisation and resulted in better utilisation of time by employees. All employees started to feel equal and this increased their belongingness to the organisation.

Features of motivation can be highlighted using the following points:

- i. **Motivation is an invisible force:** Motivation is a feeling of belongingness inside and employee. It cannot be seen or touched. However, its results can be clearly felt among employees through their performance.
- ii. **Motivation helps in achieving goals:** Motivation is a positive awakening force which increases the productivity and quality standards of work done by employees.
- iii. **Motivation can also be negative:** Positive motivation can take the form of appraisal or promotion. On the other hand, negative motivation can take the form of pay-cut and demotion.
- iv. **Motivation is not a simple process:** All employees get motivated for different reasons at different times. Some employees get motivated by appreciation, whereas some employees get motivated by appraisals.

Answer 18

- a. In the given scenario, 'public relations' is the communication tool used by the company to restore its good image. The sole purpose of 'public relations' is to create and maintain cordial relationship of the company with its stakeholders, customers and lenders. Such positive public relations of the company are key foundations for its survival and growth.
- b. Importance of 'public relations' can be highlighted as follows:
 - i. It allows the organisation to attain its goals in a hassle-free manner without constantly worrying about its public image.
 - ii. It assists the organisation in creating and maintaining a market for its product among consumers and hence to increase its brand loyalty among those consumers.
 - iii. Public relations among the stakeholders and consumers also allow an organisation to survive in the business in the long run and deal with its new potential competitors effectively.
 - iv. It also complements the promotional ventures undertaken by the organisation to increase its customer base.

Answer 19

Financial market is a common platform where buyers and sellers of securities interact and exchange their holdings of bonds such as shares and debentures. Functions of a financial market:

- i. **Channelisation of funds:** Financial markets primarily operate to channelise funds from the investors to the companies. It serves the dual purpose of providing investors with an interest on their funds and providing companies with the required finance to pursue their business operations.
- ii. **Determining the price:** The determination of fair price of securities is facilitated by financial markets as it provides a place where buyers can meet sellers and undertake different transactions of securities. Such a commonplace ensures trading at a fair and justifiable price of the security which is determined by the opposite forces of demand and supply.

- iii. **Ease of convertibility in cash:** Because financial markets operate in a transparent and legal manner for the purchase and sale of securities, any person can convert his bonds into cash or cash equivalent at any particular time in a hassle-free manner.
- iv. **Minimising brokerage and other transaction charges:** Financial markets aim at the minimisation of unnecessary brokerage and transfer charges levied by different dealers by making the relevant information available at all times. It also aims to digitalise the transaction for optimisation in terms of time and cost.

Answer 20

Types of plans being discussed in the given paragraph:

- i. **Objective:** An objective broadly outlines the key task or target to be reached at the end of a certain time period by the organisation. In the given case, the objective is highlighted in the words 'One of her objectives was to earn 50% profit on the amount invested in the first year'.
- ii. **Policy:** A policy is a code of conduct to be followed by a particular organisation in a particular scenario. It is not specific in nature and hence is interpreted according to the situation. In the given case, the line 'Raw materials like flour, sugar, salt etc. will be purchased on two months credit'.
- iii. **Procedure:** A procedure comprises guidelines to be followed in a specific order to make a policy decision to come into reality. In the given case, the line 'Decided to follow the steps required for marketing of the products through his own outlets' highlights the procedure to be followed.
- iv. **Method:** A method is a specific process to be conducted to carry out a desired task. In the given case, the method is highlighted in the words 'the exact manner in which the production activities are to be carried out' highlight the type of plan called 'method'.
- v. **Rule:** A rule is a type of plan which mentions the exact way of completing a particular task and its degree of compulsion. A rule can also be negative and guides employees about not doing a particular thing. In the given case, the line 'Penalty of Rs 150 per day for not wearing the helmet, gloves and aprons was announced' highlights a rule.
- vi. **Budget:** A budget is usually a number which specifies the financial constraints and targeted achievements on an organisation. It mentions the upper limit of the expenditure of resources. In the given case, the line 'Harsh also prepared a statement showing the number of workers which will be required in the factory throughout the year' implies a budget.

Answer 21

- a. The following lines from the paragraph highlight the use of informal communication in the organisation:
 - 1. Colleague sent a text message to his immediate superior.
 - 2. Mr B. Chatterjee sent a text message to employees of the organisation requesting them to donate blood.

Sending text messages is an informal means of communication.

The following line highlights the use of formal communication in the organisation:

‘When the general manager came to know about it, he ordered fumigation in the company premises and cleanliness of surroundings.’

- b. Two features of informal communication:
 - 1. It does not follow any specific formally determined path. It flows in all directions.
 - 2. It is the result of personal contact among employees of an organisation.
- c. Values of the organisation which society would monitor:
 - 1. Hygiene in the workplace for employees by the organisation.
 - 2. Employee-centric policies of the organisation.

Answer 22

Steps in the process of controlling:

- i. **Creating benchmarks:** Controlling aims at creating correct benchmarks of performances for different employees and thereby undertaking necessary operations to achieve the same. The benchmarks become targets for employees.
- ii. **Quantifying performance level:** Controlling focuses on getting the tasks planned by the organisation done in an efficient and effective manner. When done, controlling quantifies the targets achieved and develops a result report for further steps. It makes sure that the organisation does not deviate from its original goal.
- iii. **Comparative analysis:** Controlling attempts to accompany actual results with planned results and determines the positive or negative net results. This comparison brings the organisation back on track with its primary goals.
- iv. **Performance variation:** Controlling monitors changes in actual performance as compared to the planned performance and determines the relative efficiency and effectiveness of an organisation. It thereby aims to implement necessary changes in the functioning of the organisation.
- v. **Calibrate deviations:** Controlling finally aims to calibrate the deviations in the actual results by proposing and implementing necessary changes in quality standards and performance report generation. This results in better management in forthcoming business problems.

Answer 23

Characteristics of coordination:

- i. **Assembles individuals' contribution:** In an organisation, different people always have varying interests and skillsets. Coordination assembles and combines the contribution of different individuals towards the desired goals of the organisation.
- ii. **Maintains integrity:** Coordination attempts to integrate the performance contribution of human resources and departmental structures to attain the desired results. For example, in a particular organisational structure, all departments, including the Finance Department and Operations Department, rely on coordination to achieve organisational objectives.
- iii. **Repeated continuously:** Coordination is repetitive and continuous. It initiates earlier from the planning process in which the targets to be achieved are determined. Thereafter, coordination comes into play in the process of planning and staffing to make sure that people with the required skillset are employed for the implementation

of the plan. Directing and controlling are assisted by coordination to attain organisational goals.

- iv. **Participation of management:** Coordination invites the participation of management at all of its levels. The top-level hierarchy takes its assistance to make sure that the organisation is well-off as a whole. The middle-level hierarchy of managers implement it to make sure that the top and lower levels of management are synchronised. The operational level hierarchy uses it to make sure that goals are achieved as planned.

Answer 24

- a. Let the face value of equity share be Rs 10 each.

Profit before Interest & Tax = Rs 8,00,000

Interest on 10% debentures = Rs 4,00,000

Profit before Tax = Profit before Interest and Tax – Interest

Profit before Tax = 8,00,000 – 4,00,000 = Rs 4,00,000

Tax @ 40% = $4,00,000 \times \frac{40}{100}$ = Rs 1,60,000

Profit available to shareholders = 4,00,000 – 1,60,000 = Rs 2,40,000

Earning Per Share (EPS) = $\frac{\text{Profit after Tax}}{\text{Number of Equity Share}} = \frac{2,40,000}{6,00,000} = 0.4$

Thus, shareholders have incurred loss after the issue of debentures as earning per share (EPS) has fallen from Rs 0.5 to Rs 0.4.

- b. The following are the three factors which favour the issue of debentures by the company as part of its capital structure.

- i. **Good cash flow position:** If the company has a good cash flow position, then issuing debentures is more favourable as compared to issuing shares.
- ii. **High tax rate:** It is beneficial for the company to issue debentures if the tax rate is higher. This is because interest paid by the company to its debenture holders is tax deductible.
- iii. **Control:** If the company does not want to dilute the control of management, then issuing debentures is best for the company.

Answer 25

- a. 'Labelling' is the important aspect which is being ignored by the marketer in the given scenario.

- b. Functions of labelling:

- i. **Providing information about the product:** The label of a product provides targeted consumers with all the relevant information regarding the ingredients used in the project. It also informs consumers about the procedure to use the product in its best manner. Various safety guidelines are also provided on a label to make sure consumers do not end up hurting themselves or damaging their health.

- ii. **Brand building:** A well-designed label assists in building a positive brand value of the product in the minds of consumers. Consumers can recognise their desired product from its label in the supermarket and be assured about the quality standards.
- iii. **Legal compliance:** The label mentions relevant information which is required to be displayed according to various consumer laws. This makes a company socially responsible in the eyes of the law. It also saves the company from being sued under various consumer laws.
- iv. **Increasing sales:** A product with an attractive label catches the attention of a higher number of consumers than a product with a poorly designed label. This implies that labelling also helps in increasing sales by increasing the market reach of the product.
- v. **Monitoring quality:** Labels assigned to different products allow an organisation to check quality standards and hence to rectify any variations from the standard quality. Rating products is also an option if the quality of different units of the same product varies substantially in production.

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All India Board Paper Set 1 – 2015

Time: 3 hrs

Max. Marks: 80

Note:

- Please check that this question paper contains 12 printed pages.
 - Code number given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.
 - Please check that this question paper contains 25 questions.
 - **Please write down the Serial Number of the question before attempting it.**
 - 15 minutes time has been allotted to read this question paper. The question paper will be distributed at 10.15 a.m. From 10.15 a.m. to 10.30 a.m., the students will read the question paper only and will not write any answer on the answer-book during this period.
-

General Instructions:

- (i) **All** questions in both the sections are compulsory.
 - (ii) Marks for questions are indicated against each question.
 - (iii) Questions Nos. **1 – 8** are very short-answer questions carrying **1** mark each. They are required to be answered in one sentence each.
 - (iv) Questions Nos. **9 – 13** are short answer questions carrying **3** marks each. Answers to them should normally not exceed **50 – 75** words each.
 - (v) Questions Nos. **14 – 19** are also short answer questions carrying **4** marks each. Answers to them should normally not exceed **150** words each.
 - (vi) Questions Nos. **20 – 22** are long-answer questions carrying **5** marks each. Answers to them should normally not exceed **150** words each.
 - (vii) Questions Nos. **23 – 25** are long-answer questions carrying **6** marks each. Answers to them should normally not exceed **200** words each.
 - (viii) Answers should be brief and to the point and the above word limits should be adhered to as far as possible.
-

1. What is meant by 'Business Environment'? **[1]**
2. Explain how management helps in the development of society. **[1]**
3. Give the meaning of 'Objectives' as a type of plan. **[1]**
4. 'Himalaya Ltd', is engaged in manufacturing of washing machines. The target of the organisation is to manufacture 500 washing machines a day. There is an occupational specialisation in the organisation which promotes efficiency of employees. There is no duplication of efforts in such type of organisation structure.

Identify the type of organisation structure described above. [1]

5. How does 'cost of equity' affect the choice of capital structure of a company? Explain. [1]

6. 'Bharat Express' specialises in Courier Services. Its 'wide range of express package and parcel services' help business firms to make sure that the goods are made available to the customers at the right place and at the right time. State with reason, whether the working capital requirements of 'Bharat Express' will be high or low. [1]

7. 'Maruti Vega Ltd.' entered into the market with coloured television and have now introduced products like audio systems, air-conditioners washing machines, etc. The company is not only offering the products but also handling complaints and offering after-sales services.

Identify the element of marketing-mix discussed here. [1]

8. Himanshu purchased a new car from 'Galaxy Motors' for Rs 25 lakhs. He was offered free insurance for the first year and three free servicing to be availed after the car had covered 5,000 km, 10,000 km and 15,000 km respectively. When Himanshu took the car for the first free servicing, he was told that the car was not new and first service had already been availed on this car. He felt cheated and filed a complaint in the State Commission. Being not satisfied with the decision of the State Commission, after two months he decided to file an appeal against it.

Can Himanshu appeal against the decision of the State Commission? Give reason in support of your answer. [1]

9. What is meant by 'Formal Organisation'? State its any two advantages. [3]

10. How do the 'Company-related factors' affect the choice of channels of distribution? Explain. [3]

11. 'A.S. Ltd' is a large company engaged in assembly of air-conditioners. Recently the company had conducted the 'Time' and 'Motion' study and concluded that on an average a worker can assemble ten air-conditioners in a day. The target volume of the company in a day is assembling of 1,000 units of air-conditioners. The company is providing attractive allowances to reduce labour turnover and absenteeism. All the workers are happy. Even then the assembly of air-conditioners per day is 800 units only. To find out the reason the company compared actual performance of each worker and observed through C.C.T.V. that some of the workers were busy in gossiping.

a. Identify the function of management discussed above.

b. State those steps in the process of the function identified which are discussed in the above paragraph. [3]

12. 'The Stock Exchange performs many vital functions in today's commercial world.' Explain any three such functions. [3]

- 13.**Jaideep recently joined as the Managing Director of 'Tivori Ltd.', an apparel designing company. He observed that the company had a number of experienced fashion designers on its payroll. They regularly offered useful suggestions which were neither appreciated nor rewarded by the company. Instead the company outsourced its services to some renowned fashion designers and paid them a good compensation for their services. Because of this the employees felt disheartened and stopped giving useful suggestions.
- Identify the communication barrier discussed above.
 - State the category of this communication barrier.
 - Explain any other communication barrier of the same category. **[3]**
- 14.**What is meant by 'Management'? State any three objectives of management. **[4]**
- 15.**Explain any four points of importance of 'consumer protection' from the point of view of business. **[4]**
- 16.**Neeraj Gupta started a company 'YoYo Ltd'. with ten employees, to assemble economical computers for the Indian rural market. The company did very well in its initial years. As the product was good and marketed well, the demand went up. To increase production the company decided to recruit additional employees. Neeraj Gupta, who was earlier taking all decisions for the company, had to selectively disperse the authority. He believed that people are competent, capable and resourceful and can assume responsibility for effective implementation of their decisions. This paid off and the company was not only able to increase its production but also expanded its product range with different features.
- Identify the concept used by Neeraj Gupta through which he was able to steer his company to greater heights.
 - Also explain any three points of importance of this concept. **[4]**
- 17.**The workers of 'Gargya Ltd.' are unable to work on new computerised machines imported by the company to fulfil the increased demand. Therefore, the workers are seeking extra guidance from the supervisor and the supervisor is overburdened with the frequent calls of workers.
- Suggest how the supervisor, by increasing the skills and knowledge of workers, can make them handle their work independently. Also state any three benefits that the workers will derive by the decision of the supervisor. **[4]**
- 18.**Beni, after completing her MBA, took up a job with a multinational company named 'Fortio'. The company was paying good salary and perks to its employees. The wages were within the paying capacity of the company the provided the employees a reasonable standard of living. The company also had a good work-culture and the behaviour of superiors was very good towards their subordinates. Beni was very happy in this organisation, but due to long working hours she did not have time to cook her meal. She had to depend upon outside food, which was deteriorating her health. She observed that this problem was faced by many of her colleagues, not only in her company but also in many other companies. This

was because of increase in the number of working women and non-availability of hygienic home-cooked food. She identified this as a great opportunity and decided to give up her job to supply packaged home-cooked food to office goers at a reasonable price. At the end of the day she was also distributing the left-over food in the nearby night-shelters.

- a. State the dimension of business environment being discussed above.
 - b. State the principle of management being followed by 'Fortio'.
 - c. Identify any two values being communicated by the company to the society in the above case.
- [4]**

19. 'Mission Coach Ltd.' is a large and creditworthy company manufacturing coaches for Indian Railways. It now wants to export these coaches to other countries and decides to invest in new hi-tech machines. Since the investment is large, it requires long-term finance. It decides to raise funds by issuing equity shares. The issue of equity shares involves huge floatation cost. To meet the expenses of floatation cost, the company decides to tap the money market.

- a. Name and explain the money-market instrument the company can use for the above purpose.
 - b. What is the duration for which the company can get funds through this instrument?
 - c. State any other purpose for which this instrument can be used.
- [4]**

20. Give the meaning of 'organising', State the steps in the process of organising. **[5]**

21. Anjali had been working with 'Tata Enterprises' for the last ten years. She was famous for her dedication towards the work. When the Manager senior to her retired, all her colleagues thought that now Anjali would be promoted. But to everyone's surprise the vacant post was filled by an outsider 'Miss Monika'. Anjali felt demoralised and her performance started declining. She would absent herself often and could not meet her targets.

Miss Monika was a good leader who would not only instruct her subordinates, but also guide and inspire them. She noticed Anjali's behaviour and felt that her performance could be improved. She started involving Anjali in decision-making issues related to the organisation and made her a part of a high-level joint management committee. Anjali was now punctual to office and her performance started improving.

- a. Identify the function of management being performed by Monika.
 - b. Name the element of the above function of management which helped Monika to improve Anjali's behaviour.
 - c. State any three features of the element identified in (b) above.
- [5]**

22. Mohit Gupta is working with 'Yellow Security Services Ltd.' He is also recruiting security guards for the company. The company provides security services in Delhi and Noida at short notice to various companies. The guards are recruited on temporary basis. The guards provided by this company are known for their honesty and punctuality. Mohit Gupta is well known in his village for providing employment to unskilled people.

- a. Name the source of recruitment used by 'Yellow Security Services Ltd.'
- b. State any one disadvantage of this source of recruitment.
- c. Identify the need of 'Security Guards' which is being fulfilled by the company as per Maslow's need hierarchy.
- d. Identify any two values communicated to the society in the above stated case. **[5]**

23. Explain the following principles of management:

- a. Science, not rule-of-thumb.
- b. Discipline. **[6]**

24. 'Abhishek Ltd'. is manufacturing cotton clothes. It has been consistently earning good profits for many years. This year too, it has been able to generate enough profits. There is availability of enough cash in the company and good prospects for growth in future. It is a well managed organisation and believes in quality, equal employment opportunities and good remuneration practices. It has many shareholders who prefer to receive a regular income from their investments. It has taken a loan of Rs 50 lakhs from I.C.I.C.I. Bank and is bound by certain restrictions on the payment of dividend according to the terms of the loan agreement.

The above discussion about the company leads to various factors which decide how much of the profits should be retained and how much has to be distributed by the company.

Quoting the lines from the above discussion, identify and explain any four such factors. **[6]**

25. Radhika was a student of Business Studies of Class XII. Her father was a farmer who grew different varieties of rice and was well-versed about various aspects of rice cultivation. He was also selected by the government for a pilot-project on rice cultivation. As a project-work in Business Studies she decided to study the feasibility of marketing good quality rice at a reasonable price. Her father suggested her to use Internet to gather customers' views and opinions. She found that there was a huge demand for packaged organic rice. She knew that there were no pre-determined specifications in case of rice because of which it would be difficult to achieve uniformity in the output. To differentiate the product from its competitors, she gave it the name of 'Malabari Organic Rice' and classified it into three different varieties namely — Popular, Classic and Supreme, based on the quality. She felt that these names would help her in product differentiation.

Explain the three functions of marketing, with reference to the above paragraph. **[6]**

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Answer 1

A business environment refers to the aggregate of external conditions, events and resources which are outside the control of a business but interacts with it and affects its performance. For example, the business environment includes changes in preferences of consumers, government policies, political scenarios and legal policies.

Answer 2

Management helps in the development of society by providing good quality products at reasonable prices, creating employment opportunities for people and using new and improved technology.

Answer 3

The goal or end which management wants to attain is known as objective. It is the end result of activities.

Answer 4

The type of organisational structure described in the given scenario is functional structure. A functional organisational structure is one wherein the activities of a similar nature are grouped together in departments, and all departments in turn report to a head.

Answer 5

The cost of equity depicts the financial risk faced by the company. If the financial risk is higher, then the shareholders expect a higher return. This in turn implies a rise in the cost of equity. However, if the cost of equity is high, then it would be difficult for the company to opt for more equity.

Answer 6

The working capital requirements of Bharat Express will be low as organisations dealing in services have shorter operating cycles, i.e. no processing is done in such organisations. Accordingly, they require low working capital.

Answer 7

Product has been discussed in the given question. Product refers to the mix of various tangible and intangible attributes which have a value and can be exchanged. They are capable of satisfying the needs of consumers. Besides physical goods, a product includes services.

Answer 8

No, Himanshu cannot appeal against the decision of the State Commission. In case the aggrieved party is not satisfied with the judgement of the State Commission, it can file an appeal only within 30 days of passing the judgement. However, in the given scenario, Himanshu decided to appeal after 2 months of the passing of the State Commission's judgement; hence, he cannot file the appeal.

Answer 9

A formal organisation is one wherein the boundaries of authority are systematically and clearly defined in an organisation.

Advantages of a formal organisation:

- i. In a formal organisation, responsibility can be easily fixed as job roles are clearly defined.
- ii. A formal organisation avoids duplication and wastage of resources in the sense that there is no confusion among employees regarding assigned duties.

Answer 10

There are two important characteristics of a company which determine the channel of distribution used by it, namely financial strength and the degree of control which the company wishes to command over intermediaries. Shorter channels of distribution require greater funds but also offer greater control over intermediaries. Accordingly, a financially strong company or a company which wishes to command greater control over intermediaries would opt for shorter channels of distribution.

Answer 11

a. **Controlling** has been discussed in the given scenario.

b. **Steps in the controlling process:**

- i. **Setting Standards:** The first step is setting standards against which the actual performance is evaluated. The standards can be in both qualitative terms (such as improved coordination, higher goodwill) and quantitative terms (such as sales targets, production targets). It must be kept in mind that the set standards should facilitate easy comparison.
- ii. **Measuring Actual Performance:** The next step in the controlling process is to measure the performance of various activities. For this, various techniques can be used such as personal observation and performance reports. This measurement should be exact and reliable such that it facilitates easy comparison with the set standards. Moreover, the measurement of performance can be at various stages in the activity or at the completion of the activity.

- iii. **Comparing Performance:** After the actual performance is measured, it is then compared with the pre-defined standards. This helps in assessing whether there are any deviations/deficiencies in performance. Accordingly, it helps in identifying the required corrective actions to be taken.
- iv. **Analysing Deviation:** With the comparison of the actual performance with the set standards, deviations in performance are identified.
- v. **Corrective Measures:** In case deviations are beyond the acceptable range, it becomes necessary to take corrective action. It must be ensured that deviations do not occur again.

Answer 12

Functions of the stock exchange:

- i. **Provides Liquidity and Marketability:** The stock exchange provides a platform where sale and purchase of existing securities can take place. In this way, the stock exchange facilitates the conversion of securities to cash as and when required. In addition, it renders liquidity to long-term securities and can be converted to medium-term and short-term securities.
- ii. **Determination of Prices:** A stock exchange acts as a link for the interaction of buyers and sellers. In other words, it helps in the interaction of demand and supply forces, and thereby helps in establishing the price of securities.
- iii. **Fair and Safe Market:** A stock exchange provides a safe and fair market for trading of securities. It functions according to a well-regulated legal framework.

Answer 13

- a. The communication barrier discussed in the given scenario is **lack of proper incentives**. This is because suggestions given by employees were neither appreciated nor rewarded by the company.
- b. Lack of proper incentives falls under the personal barrier.
- c. Another communication barrier of the same category is the lack of confidence of superior in his subordinates. If the manager does not have confidence in the skill and competence of subordinates, he would not seek their advice or opinion.

Answer 14

Management is a process wherein various activities and functions are performed to achieve the various goals and objectives of an organisation in an effective and efficient manner.

Objectives of Management:

- 1. **Organisational objective:** It refers to achieving the goals and targets as set by the organisation. It includes the following objectives:
 - a. **Survival:** The organisation must earn enough revenue to cover its overall costs.

- b. **Profit:** The earnings of the organisation must be well above the costs incurred.
 - c. **Growth:** It is essential for the organisation to grow to continue in the long run.
- 2. **Social objective:** It refers to creating benefits for society as a whole and fulfilling ones social responsibility.
- 3. **Personal objective:** It refers to meeting the personal goals of the people in the organisation along with organisational goals.

Answer 15

Importance of consumer protection from the point of view of business:

- i. **Long-Term Interest:** For any business, consumer satisfaction is essential. In today's times, with increasing competition, consumer satisfaction has become all the more important. As the organisation takes care of the interests of consumers, it builds goodwill and reputation in the market. This in turn helps in increasing the sales and profits of the business. Thus, protecting consumer's interests benefits the business in the long run.
- ii. **Use of Resources:** Any business survives on the basis of society. It uses the resources of society for its various production activities. It earns profits with the sale of these goods and services to society. Thus, the business must take care of the interest of society and supply goods and services which adhere to the overall interests and well-being of society.
- iii. **Ethical Reasoning:** Every business must follow basic moral and ethical values. It must not follow any such business practices which lead to exploitation of consumers in any form.
- iv. **Responsibility towards Society:** Any business strives to exist on the basis of society. It sells various goods and services to consumers in society and earns profit. Thus, it is the responsibility of the business to take into consideration and work towards satisfying consumer interests.

Answer 16

- a. The concept used by Neeraj Gupta through which he was able to steer his company to greater heights is decentralisation.

Quotation for decentralisation: *Neeraj Gupta, who was earlier taking all decisions for the company, had to selectively disperse the authority.*

b. Importance of decentralisation:

- i. **Initiative:** Decentralisation provides managers the freedom and authority to take their own decisions. In this way, it gives them opportunities to take initiatives. This helps managers to develop self-confidence.
- ii. **Managerial Competence:** Decentralisation provides personnel the opportunity to gain new experience and develop their skills. This helps in improving their

competence. In this way, it helps in the development of future managers who can take greater responsibilities.

- iii. **Control:** With decentralisation, the performance of various departments can be evaluated in a better manner. The contribution of each department towards the overall objectives can be easily analysed.

Answer 17

To correct the situation, workers must be provided with proper training. Training refers to enhancing the skills and abilities necessary for a specific job.

Training would help employees in the following manner:

- i. **Better Career Opportunities:** Training helps in improving the knowledge of the employee which in turn helps in improving his career prospects.
- ii. **Earn More:** By helping individuals to improve their knowledge and skills, training improves the earning prospects of employees.
- iii. **Less Accident Prone:** With proper training, employees become more efficient in handling complex machines. This helps in reducing the chances of an accident.

Answer 18

- a. The dimension of business environment being discussed is **Social Environment**.
- b. The principle of management being followed by Fortio is **Remuneration of Personnel** as the company was paying good salaries and providing perks to its employees.
- c. Values being communicated by the company to society:
 - i. Good work culture and working environment
 - ii. Concern for employees

Answer 19

- a. Commercial paper can be used by Mission Coach Ltd. It is a promissory note which is negotiable and transferable. It is primarily used by large and credit-worthy companies for bridge financing. In other words, it is used as an alternative to borrowings from banks and the capital market. On commercial paper, companies pay an interest rate lower than market rates.
- b. Commercial papers have a maturity period ranging from a minimum of 15 days to a maximum of 1 year.
- c. Commercial paper can be used to finance the seasonal and working capital requirements of enterprises.

Answer 20

Organising refers to the procedure wherein various activities in an organisation are aligned in order. It comprises defining the roles of various personnel and directing them to work towards the goals and objectives of the organisation.

Steps involved in the process of organising:

- i. **Identification and Division of Work:** The first step in the process of organising is to identify the various activities in the organisation and to divide them according to the plans. Division of work ensures that there is no duplication of work. In this way, it avoids wastage of resources.
- ii. **Creation of Departments:** When the work is divided, activities which are similar in nature are grouped together in departments. This grouping can be done on the basis of criteria such as regions and products. It promotes specialisation in work.
- iii. **Assigning Duties:** The third step is to assign and allocate the work to different employees. It must be ensured that the work is assigned according to the skills and capabilities of employees. In other words, it must be ensured that the most suitable person is selected for the work.
- iv. **Establishing Relationships:** A proper hierarchical structure must be established. Every employee must be clear that from whom he would take orders and to whom he is reporting. Such clarity in working relationships help in smooth operations in the organisation.

Answer 21

- i. Monika has performed the directing function of management.
- ii. Anjali's behaviour has been improved through motivation.
- iii. **Features of motivation:**
 - a. Motivation is an internal feeling which influences an individual's psychology such that he is induced to perform better. For instance, the desire for higher salary, respect and recognition.
 - b. Motivation induces employees to work towards the desired goals and objectives. In other words, it implies encouraging workers to work to the best of their capabilities towards the common goals and objectives of the organisation.
 - c. Motivation can be both positive and negative. Positive motivation can be in the form of increment, bonus, rewards, incentives or promotions. In contrast, negative motivation can be in the form of warnings or demotions.

Answer 22

- a. 'Yellow Security Services Ltd.' has used external sources of recruitment.
- b. Disadvantage of using an external source of recruitment is that it creates dissatisfaction among existing employees. This is because when the organisation uses external sources of recruitment, then employees' chances of getting promoted are reduced.
- c. 'Security Guards' fulfil the basic physiological needs according to the Maslow's hierarchy of needs. These needs are the most basic needs in the hierarchy of needs—needs which are essential for survival and sustenance. For example, the need for food, clothing and shelter. In terms of an organisation, the requirement of a basic salary is a physiological need.
- d. Two values communicated to society in the stated case:

- i. Promotion of honesty and punctuality
- ii. Providing employment opportunities to unskilled people

Answer 23

- i. **Science, not a rule of thumb:** According to Taylor, instead of rule of thumb, scientific management practices should be followed. Under rule of thumb, a trial and error method is used wherein each manager handles a situation in his own manner as and when it arises. According to Taylor, scientific management practices should be used. The best method of doing a task which would maximise efficiency should be developed. It would then replace the rule of thumb method. This would help in reducing the cost and improving efficiency.
- ii. **Discipline:** According to the principle of discipline, employees in the organisation must follow the rules and regulations as defined in the organisation. Discipline ensures that all employees will work efficiently and effectively and will achieve the organisation goal.

Answer 24

Dividend decision has been discussed in the question.

Quotation for dividend decision: *How much of the profits should be retained and how much has to be distributed by the company.*

The following factors affect the dividend decision:

1. **Stable Earnings:** A company with stable and smooth earnings can pay higher dividends to shareholders than a company which has unstable and uneven earnings.

Quotation for stable earnings: *It has been consistently earning good profits for many years.*

2. **Amount of Earning:** A firm decides the dividends to be paid on the basis of its earnings. If the company has higher earnings, then it would be in a better position to pay dividends. As against this, if a company has low earnings, it would be able to pay lower dividends.

Quotation for amount of earnings: *This year too, it has been able to generate enough profits.*

3. **Growth Prospects:** Companies with higher growth prospects prefer to retain a greater portion of their earnings for future reinvestment. Accordingly, they pay lesser dividends.

Quotation for growth prospects: *There is availability of enough cash in the company and good prospects for growth in the future.*

4. **Preference of Shareholders:** The preference of shareholders must also be considered while taking dividend decisions. For instance, if shareholders prefer that a certain minimum amount of dividends be paid, then the company may declare the same.

Quotation for preference of shareholders: *It has many shareholders who prefer to receive a regular income from their investments.*

Answer 25

Functions of marketing with reference to the paragraph:

- i. **Gathering and Analysing Market Information:** To know the needs of customers, marketers collect market information. This gives an idea to the business about the threats and business opportunities.

Quotation: *Use Internet to gather customers' views and opinions*

- ii. **Standardisation and Grading:** Standardisation refers to production of a product according to some standards or specific details. Grading is the classification of goods into various groups on the basis of size and quality.

Quotation: *She knew that there were no pre-determined specifications in case of rice because of which it would be difficult to achieve uniformity in the output.*

OR

Classified it into three different varieties, namely—Popular, Classic and Supreme—based on the quality.

- iii. **Branding:** Branding refers to deciding a suitable name for the product. The name can be either a generic name or a brand name. The brand name acts as a basis of differentiation of the firm's product with that of its competitors.

Quotation: *To differentiate the product from its competitors, she gave it the name of 'Malabari Organic Rice'.*

OR

She felt that these names would help her in product differentiation.

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Time: 3 hrs

Max. Marks: 90

Note:

- Please check that this question paper contains 12 printed pages.
- Code number given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.
- Please check that this question paper contains 30 questions.
- **Please write down the Serial Number of the question before attempting it.**
- 15 minutes time has been allotted to read this question paper. The question paper will be distributed at 10.15 a.m. From 10.15 a.m. to 10.30 a.m., the students will read the question paper only and will not write any answer on the answer-book during this period.

General Instructions:

- (i) All questions in both the sections are compulsory.
- (ii) Marks for questions are indicated against each question.
- (iii) Questions No. **1 – 12** are very short-answer questions carrying **1** mark each. They are required to be answered in one sentence each.
- (iv) Questions No. **13 – 18** are short answer questions carrying **3** marks each. Answers to them should normally not exceed **50 – 75** words each.
- (v) Questions No. **19 – 22** are also short answer questions carrying **4** marks each. Answers to them should normally not exceed **150** words each.
- (vi) Question number **23 – 26** are long-answer questions carrying **5** marks each. Answers to them should normally not exceed **150** words each.
- (vii) Question number **27 – 30** are long-answer questions carrying **6** marks each. Answers to them should normally not exceed **200** words each.
- (viii) Answers should be brief and to the point and the above word limits should be adhered to as far as possible.

1. What is meant by 'Management of Work'? **[1]**
2. What is determined by 'Time-Study'? **[1]**
3. What is included in the 'Legal environment' of business? State. **[1]**
4. Give the meaning of 'Method' as a type of plan. **[1]**

5. Give the meaning of 'Responsibility' as an element of delegation. [1]
6. Define 'Organisation' as a function of management. [1]
7. How are employees motivated to improve their performance when the organisation uses internal sources of recruitment? State. [1]
8. 'Providing the social security and welfare of employees' is one of the specialised activities performed by Human Resource Management. Mention any two other specialised activities of Human Resource Management. [1]
9. What is meant by 'Decoding' as an element of communication? [1]
10. Give any two characteristics of 'Organisational Climate' that influence the behaviour of individuals and act as a non-financial incentive? [1]
11. What is meant by 'Financial Risk'? [1]
12. State the objective of 'Financial Management'. [1]
13. Huma is working in a company on a permanent basis. As per the job agreement she had to work for 8 hours a day and was free to work overtime. Huma worked overtime, due to which she fell ill and had to take leave from her work. No one showed concern and enquired about her health. She realised that she was fulfilling only some of her needs while some other needs still remained to be fulfilled.
- (i) By quoting the lines from the above para, identify the needs of Huma which she is able to fulfil.
 - (ii) Also explain two other needs of Huma followed by the above needs, which still remained to be satisfied. [3]
14. Explain any three functions performed by a supervisor that are vital to any organisation. [3]
15. 'Stock Exchange not only contributes to the economic growth, but performs many other functions'. Explain any three such functions. [3]
16. ABC Crackers Ltd., a fire-cracker manufacturing company launched some new products on the eve of Diwali in the market, which attracted many buyers. To meet the increased demand, the company employed people from nearby villages where there is a lot of unemployment. Because of the good behaviour of the management with the employees, more and more people wanted to join the company. As the products were in great demand in the market, a competitor imitated the products. The products of the competitor were not accepted by the consumers as it was a status symbol to buy the products of ABC Crackers Ltd. because of their quality.
- a. Identify and explain the product-related decision because of which consumers

- preferred the products of ABC Crackers Ltd
- b. Also identify any two values which ABC Crackers Ltd. wanted to communicate to the society. **[3]**
- 17.** State any six reliefs available to a consumer under the Consumer Protection Act, 1986. **[3]**
- 18.** Explain the following rights of consumers:
- (i) Right to Consumer Education
 - (ii) Right to choose **[3]**
- 19.** Mega Ltd. was manufacturing water-heaters. In the first year of its operations, the revenue earned by the company was just sufficient to meet its costs. To increase the revenue, the company analysed the reasons of less revenues. After analysis, the company decided
- (i) to reduce the labour cost by shifting the manufacturing unit to a backward area where labour was available at a very low rate.
 - (ii) to start manufacturing solar water-heaters and reduce the production of electric water-heaters slowly.
- This will not only help in covering the risks, but also help in meeting other objectives too.
- (a) Identify and explain the objectives of management discussed above.
 - (b) State any two values which the company wanted to communicate to the society. **[4]**
- 20.** Explain the concept of 'Business Environment' and any three features of it. **[4]**
- 21.** State any four advantages of external sources of recruitment. **[4]**
- 22.** Give the meaning of 'Investment' and 'Financing' decisions of financial management. **[4]**
- 23.** State any five features of planning. **[5]**
- 24.** Differentiate between 'Capital-market' and 'Money-market' on the following basis:
- (i) Meaning
 - (ii) Liquidity
 - (iii) Safety
 - (iv) Expected Return
 - (v) Duration **[5]**
- 25.** What is meant by 'Personal Selling'? Explain any three qualities of a good salesman. **[5]**
- 26.** Principles of Taylor and Fayol are mutually complementary. One believed that the management should share the gains with the workers, while the other suggested that employees compensation should depend on the earning capacity of the company and should give them a reasonable standard of living.

Identify and explain the principles of Fayol and Taylor referred to in the above para.[5]

27. Differentiate between formal and informal organization on the basis of the following:

- (i) Meaning
- (ii) Origin
- (iii) Authority
- (iv) Flow of communication
- (v) Nature

OR

With the help of any four points, explain the importance of 'Decentralization' in an organization. [6]

28. Explain the relationship between planning and controlling.

OR

Explain the various steps in the process of controlling [6]

29. Explain the following as factors affecting the requirements of working capital:

- (i) Nature of business
- (ii) Scale of operations
- (iii) Seasonal factors
- (iv) Production cycle

OR

Explain the following as factors affecting choice of capital structure:

- (i) Cash flow position
- (ii) Cost of equity
- (iii) Floatation costs
- (iv) Stock-Market conditions

[6]

30. Explain the following functions of marketing:

- (i) Product designing and development
- (ii) Standardization and Grading
- (iii) Customer support services
- (iv) Pricing of products

OR

'Though advertising is one of the most frequently used medium of promotion of goods and services, it attracts lot of objections.' Explain any four such objections. [6]

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Answer 1

Management of work refers to all the activities of an organisation which aim at achieving goals or tasks to be accomplished effectively and efficiently.

Answer 2

According to time study, there must be a standard time limit for the completion of a task. With repeated observations with regard to time taken in completing a task, a standard limit is set. This helps in deciding the number of employees which would be required in completing a task.

Answer 3

Legal environment includes the framework of legislation and rules impacting the business. It is framed by the Parliament and passed by the government such as the Companies Act, 1956, Industries Dispute Act, 1947, and Trade Union Act, 1926.

Answer 4

A method is a standing plan which is a systematic way of performing a routine job. Selecting an appropriate method saves time and money, and it may vary from task to task.

Answer 5

Responsibility refers to the obligation that the task which is assigned is successfully completed within the stipulated time. A responsible subordinate is obedient and loyal towards the duties assigned to him.

Answer 6

Organising refers to the procedure wherein various activities in an organisation are aligned in order. It comprises defining the roles of various personnel and directing them to work towards the goals and objectives of the organisation. This function brings together human efforts and resources in the organisation.

Answer 7

When the organisation uses internal sources of recruitment, employees are motivated to perform the best for their organisation as it gives a chance to existing employees to grow and occupy higher positions.

Answer 8

The two other activities performed by human resource management are (i) Providing the necessary training and development to employees for career growth, and (ii) Recruiting, selection and placement of personnel.

Answer 9

Decoding means a process of converting the encoded message into language and understanding the message.

Answer 10

Two characteristics of 'Organisational Climate' which influence the behaviour of individuals and act as a non-financial incentive are (i) Autonomy or employee empowerment and (ii) Employee recognition programmes.

Answer 11

Financial risk refers to the risk that borrowed funds would not be repaid. In other words, it implies the risk that the company would not be able to meet its fixed financial obligations such as interest payment, preference dividend and other repayment obligations.

Answer 12

The basic objective of financial management is to maximise the wealth of shareholders, i.e. it aims at taking financial decisions which prove beneficial for shareholders. Such financial decisions are taken wherein the anticipated benefits exceed the cost incurred.

Answer 13

- i. According to Maslow's Needs Hierarchy Theory, the needs of an individual can be classified into five categories which can be arranged in a hierarchical order as physiological needs, security needs, belongingness needs, esteem needs and actualisation needs. Huma realised that she was fulfilling only 'physiological and security needs'. Physiological needs are the most basic needs in the hierarchy of needs. It comprises needs which are essential for survival and sustenance. For example, need for food, clothing and shelter. In terms of an organisation, the requirement of a basic salary is a physiological need. Security needs is that an individual requires physical and economic security. Huma has a permanent job which ensures complete security for her.
- ii. Two other needs of Huma (followed by the above needs) which still remained to be satisfied are 'belongingness needs' and 'esteem needs'.
 - a. Belongingness needs refers to the social needs of an individual in terms of affection and acceptance.
 - b. Esteem needs comprises elements such as respect, dignity and recognition in the peer group.

Every individual yearns for social acceptance and belongingness as well as respect and acknowledgement in the peer group. In this situation, Huma falls sick and takes leave but no one showed concern and enquired about her health.

Answer 14

In an organisation, a supervisor is a person responsible for directly overseeing the various activities of workers. Functions performed by a supervisor:

- i. A supervisor guides workers and provides support to them. He ensures that workers work with harmony and unity.
- ii. He serves as the link of communication between the manager and workers. While on one hand, he communicates the information and ideas of the management to workers, on the other hand, he communicates the problems of workers to managers. In other words, the management and workers communicate through the supervisor.
- iii. It is the responsibility of the supervisor to ensure that the work is performed efficiently and smoothly and that the set targets are met.

Answer 15

A stock exchange refers to a market wherein the sale and purchase of securities occur. The main functions of the stock exchange:

- i. **Provides Liquidity and Marketability:** The stock exchange provides a platform where sale and purchase of existing securities can take place. In this way, the stock exchange facilitates the conversion of securities to cash as and when required. In addition, it renders liquidity to long-term securities and can be converted to medium-term and short-term securities.
- ii. **Determination of Prices:** A stock exchange acts as a link for the interaction of buyers and sellers. In other words, it helps in the interaction of demand and supply forces, and thereby helps in establishing the price of securities.
- iii. **Fair and Safe Market:** A stock exchange provides a safe and fair market for trading of securities. It functions according to a well-regulated legal framework.

Answer 16

- a. The product-related decision because of which consumers preferred the products of ABC Crackers Ltd. is the 'quality and the brand name'. The standard quality of the products manufactured by the company helps in maintaining its brand name in the market. So, consumers wish to demand the products of ABC Crackers Ltd. as their goodwill and reputation are more in the market.
- b. Values ABC Crackers Ltd. wanted to communicate to society:
 - i. To provide employment opportunities so that it decreases unemployment in villages
 - ii. To provide good quality products to consumers

Answer 17

Reliefs which are available under the Consumer Protection Act:

- i. Repairing the defect in goods or removing the deficiency in service
- ii. Providing a new good instead of the defective good
- iii. Refunding the cost of the good or service to the consumer
- iv. Providing compensation in cash in case of loss or injury

- v. Removing any misleading advertisements and passing orders for issuing a correct advertisement
- vi. Crediting an appropriate amount to the Consumer Welfare Fund

Answer 18

Rights of a consumer:

- i. **Right to Consumer Education:** It is the right of consumers to have knowledge and be aware of their rights and responsibilities. They must have knowledge with regard to various legal remedies available in case they face any form of exploitation. Various consumer organisations and NGOs actively work in this regard.
- ii. **Right to Choose:** Consumers have the right to have access to and choose from a wide variety of goods and services available in the market at competitive prices. Accordingly, retailers or suppliers should offer a large variety of products to consumers. Also, they must not be biased towards a particular product.

Answer 19

- a. The objective of the management referred in the paragraph is 'organisational objective'. One of the important organisational objectives is to survive and exist in a competitive market for a long period. This becomes feasible only if the total income earned by an organisation should be able to cover the various costs incurred in its operation. Also, it must grow and expand their activities.
- b. Two values conveyed by the organisation in this situation:
 - i. Providing employment in backward areas of society
 - ii. Using environment-friendly methods of production

Answer 20

A business environment refers to the aggregate of external conditions, events and resources which are outside the control of a business but interact with it and affect its performance. For example, change in the taste and preferences of consumers, change in government policies, change in political scenario, change in legal policies, all make up the business environment.

Features of business environment:

- i. **Interrelated:** Different forces acting in a business environment are closely related to each other. For example, an increase in the income of consumers increases the demand for consumer durables such as television and refrigerator.
- ii. **Ever changing:** Business environment is dynamic and ever changing. For example, consumer tastes and preferences, technology, government rules and policies keep changing continuously.
- iii. **Complex:** Business environment is the aggregate of different interrelated and dynamic forces. Thus, it becomes difficult and complex to understand. For example, all political, social, economic, technological and legal matters affect the performance of an organisation simultaneously. While it may be easy to understand the individual affects of these forces, their cumulative effect is quite difficult to understand.

Answer 21

External sources of recruitment are the ones where job vacancies are filled from outside the organisation. Benefits of external sources of recruitment:

- i. **Fresh talent:** Recruitment through external resources gives scope for entry of new talent resources into the organisation. Hence, there is increased organisational efficiency.
- ii. **Wider choice:** External sources provide a wide variety of choices for selecting the suitable candidate. For example, advertisement or placement agencies help in recruiting the right person from various applicants who applied for the job. Hence, the organisation is able to select from various applicants.
- iii. **Competitive spirit:** When external resources join the organisation, existing employees will compete with new external resources by working hard. Hence, there is a competitive spirit among existing and external resources in the organisation.
- iv. **Qualified personnel:** Recruitment through external sources assists in hiring qualified, specialised personnel and trained resources for designated jobs. Hence, these resources are capable to adapt to changes in technological development.

Answer 22

Financial management means efficiently acquiring and using funds. It is concerned with main financial decisions:

i. **Investment Decisions:**

A firm must decide where to invest the funds such that it can earn maximum returns. Such decisions are known as investment decisions. These decisions are taken for both long term and short term.

- **Long-term investment decisions:** These decisions affect a firm's long-term earning capacity and profitability. They are also known as the capital budgeting decisions. For example, decision to purchase a new machine and land.
- **Short-term investment decisions:** These decisions, also known as working capital decisions, affect the day-to-day business operations. For example, decisions related to cash or bill receivables.

ii. **Financial Decisions:**

Financing decisions involve decisions with regard to the volume of funds and identifying the sources of funds. There are two main sources of raising funds—shareholders' funds (equity) and borrowed funds (debt). Considering factors such as cost, risk and profitability, a company must decide an optimum combination of debt and equity. Example: While debt proves to be cheaper than equity, it involves greater financial risk. Financial decisions must be taken judiciously as they have an impact on the overall cost of capital of the firm and involve financial risk.

Answer 23

Planning implies to a state in advance where to go and in which direction to move to achieve a target. Being a continuous process which helps in reducing the risk of

uncertainty, planning provides the rationale for undertaking policies in the direction of achieving goals. It is based on anticipating the future course of action and deciding the best course of action.

Features of planning:

- i. **Focus on objectives:** Planning starts when an objective is set and a proper planning gives boost to a well-organised and goal-oriented management. Plans ensure that the desired objective is attained economically and quickly, if possible. Managers must make sure that plans made are purposeful, specific, realistic and clear and should adhere to the company's strategies, procedures and policies. For example, if a sales target is to be achieved, then plans must be made in sync with this objective.
- ii. **Acts as a stepping stone:** A goal is achieved through planning, organising, staffing, directing and controlling. Planning, thus, serves as the stepping stone for all other functions of an organisation. The rest of the functions are conducted within the framework of the plans drawn, i.e. the other functions are interrelated and interdependent on planning. Thus, planning acts as the primary function for all organisations.
- iii. **Pervasiveness:** Planning must be done at all levels of management and in all departments of the organisation. However, its scope differs along the various dimensions of business levels. For example, top-level managers have to chalk out policies regarding overall management, whereas middle-level managers plan the authority to be assigned to subordinates or departmental planning. On the other hand, lower level managers have to perform day-to-day operational planning and make out small targets.
- iv. **Continuity:** After an objective or goal is achieved, the plan drawn for it does not cease to exist but goes on to become a never-ending strategy because of the dynamic nature of the business environment. It is a continuous process as after or within the plan period, a need arises for the formulation or modification of another plan, keeping in view the new objectives and circumstances. It is a continuous process all along the life of a business enterprise.
- v. **Choice making:** After coming up with all possible alternatives and its outcomes, managers need to evaluate them. This evaluation is based on the utility and consequences of the options and the performance study of various actions. Various factors will be weighed against each other as they must assess the pros and cons of each alternative.

Answer 24

Points highlighting the difference between the capital market and the money market:

Basis for Difference	Capital Market	Money Market
Meaning	The capital market refers to the market or the institutional facilities through which long-term funds are raised and invested.	Securities traded are highly liquid in nature. DFHI discounts money market securities and offers a ready market for them.
Liquidity	Securities in the capital market are liquid only to a certain extent that they are tradable on stock exchanges. However, they are comparatively less liquid than money market securities.	Securities in the money market are highly liquid as they provide a ready market for them. They comprise commercial bills, treasury bills, certificates of deposit and other short-term securities.
Safety	Securities traded are risky with regard to both return and principle repayment.	Securities traded are safe as securities are traded for short duration and the issuers are financially sound.
Expected Return	They offer higher possibility of gain as securities are for a longer period.	As securities have a shorter maturity period, the expected return is lower.
Duration	Capital market deals in long-term and medium-term securities having a maturity period of more than a year.	Money market instruments have a maturity period of maximum one year.

Answer 25

Personal selling involves direct communication with potential consumers. Three qualities of a good salesman:

- i. **Mental qualities:** A good salesman should have intelligence to understand the customer and be able to fulfil a customer's requirement. Basically, he should have two qualities—empathy and ego drive. Empathy is the salesman's ability to understand the difficulty of customers. Ego drive is not only pursuing a sale for money but also trying to achieve personal success.
- ii. **Social qualities:** A good salesman should be well-mannered and pleasant to greeting and thanking customers. He should express politely for being successful in personal selling. An ability to provide a detailed description on the product which he pursues to sell. At the same time, he should handle customers appropriately without offending others.
- iii. **Physical qualities:** A good salesman should have a pleasing personality. He should appear with good grooming, neat and clean dress to create a good impression. He

should ensure that customers are satisfied with the product by providing them with required information.

Answer 26

Two principles which are mentioned in the paragraph:

- i. **Harmony, not Discord:** Taylor emphasised that managers and workers should maintain a harmonious work environment. They should realise their interdependence and work in amity. He was well acquainted with the fact that a friendly working environment will help in developing relations between them. He introduced this principle to maintain a peaceful kinship between people. When workers are deprived of their wishes or demands, they generally go on strike. This affects the productivity and the working environment. To dismiss such a situation, Taylor was ardent about a mental revolution. It implies a change in the thinking of both workers and managers. For example, if a worker is having a problem with the working hours, he should talk to the manager about it, instead of letting it effect production by going on a strike. Similarly, managers should listen to the worker's suggestions and demands rather than ignoring them.
- iii. **'Remuneration of Employees' by Fayol:** Fayol emphasised that the compensation provided to employees should be fair and just. Remuneration is determined based on the work they performed for the organisation and should be sufficient for leading a standard life. If the remuneration is adequate, then it will boost and encourage employees to contribute the best to the organisation. While if the remuneration is not adequate, then it will not give immense pleasure and satisfaction to work and employees tend to leave the organisation. Here, an organisation will have an increase in employee turnover. Therefore, the organisation should maintain harmony by providing fair remuneration to employees and also the remuneration is given by considering the capability of the organisation.

Answer 27

Basis for Difference	Formal Organisation	Informal Organisation
Meaning	Organisational structure which is designed by the management to accomplish a particular task. It specifies the boundaries of authority and responsibility and there is a systematic coordination to achieve organisational goals.	Interaction among people at work gives rise to a network of social relationships among employees. It emerges from within the formal organisation when people interact beyond their officially defined roles.
Origin	Originates from the rules and policies of management.	Originates from the social interactions among employees.

Authority	Based on profile and managerial positions, i.e. flow from top to bottom.	Based on personal qualities of employees, i.e. flows from all directions.
Duration	More stable and hence exists till the survival of the organisation.	Not stable as employees can frequently change the social group.
Nature	Completely rigid.	More flexible.

OR

Decentralisation refers to the delegation of authority and power to the lower level in the hierarchy. It is optional in the sense that it is up to the organisation to decide that how much authority and power it wishes to delegate to the lower levels. Points explaining why an organisation would choose to be decentralised:

- i. **Initiative:** Decentralisation provides managers the freedom and authority to take their own decisions. In this way, it gives them opportunities to take initiatives. This helps managers to develop self-confidence.
- ii. **Managerial Competence:** Decentralisation provides personnel the opportunity to gain new experience and develop their skills. This helps in improving their competence. In this way, it helps in the development of future managers who can take greater responsibilities.
- iii. **Control:** With decentralisation, the performance of various departments can be evaluated better. The contribution of each department towards the overall objectives can be easily analysed.
- iv. **Active Decision Making:** Decentralisation enables decision making at the nearest point of action. This ensures quick decision making.
- v. **Growth:** With decentralisation, the responsibility is passed on to the lower levels in the hierarchy. This motivates them to work to their best, improving their competence and efficiency. Accordingly, the overall performance and growth of the organisation are enhanced.
- vi. **Reduced Workload of Top Managers:** With decentralisation, a part of the responsibility of top-level managers is passed on to the lower management. Accordingly, top managers can focus on other priority areas, while lower managers handle the routine work.

Answer 28

Controlling is closely related to planning. A good control system requires set standards for evaluation. These standards are provided by the plans defined by the organisation. In other words, plans serve as the base for controlling.

Controlling is essential for effective implementation of plans. It is essential to keep a close watch on plans, identify any deviations and take appropriate corrective actions. Without proper controlling, planning would be futile.

In a similar manner, planning forms the base for controlling. Without planning, there would be nothing to control. Controlling is done only when there are predetermined standards against which evaluation can be performed.

While planning involves intellectual thinking, decision making and deciding a course of action, controlling ensures that plans take the required course of action.

Both concepts of planning and controlling are interlinked as they are forward looking and backward looking. Planning is a process wherein it is decided what is to be done and accordingly deciding the required course of action. In other words, planning involves deciding the goals and objectives which are to be achieved and deciding the actions through which they are to be achieved. In this way, planning helps in predicting future actions; thus, it can be said to be looking ahead.

As against planning, the controlling function involves assessing and evaluating past performance against pre-defined standards. Because controlling assesses past performance, it can be said to be backward looking.

However, it must be remembered that planning decides the goals and actions for the future, but these decisions are taken on the basis of experiences and previous controlling actions. Thus, planning involves looking back as well.

In a similar manner, controlling not only involves assessing past performance but also decides corrective actions to be taken (in the future) and forms the base for plans. Thus, the controlling function looks forward as well.

OR

Controlling refers to the process of ensuring that the various activities and tasks in the organisation are performed according to the pre-defined goals and objectives.

Steps involved in the controlling process:

1. **Setting Standards:** The first step is setting standards against which the actual performance is evaluated. The standards can be in both qualitative terms (such as improved coordination, higher goodwill) and quantitative terms (such as sales targets, production targets). It must be kept in mind that the set standards should facilitate easy comparison.
2. **Measuring Actual Performance:** The next step in the controlling process is to measure the performance of various activities. For this, various techniques can be used such as personal observation and performance reports. This measurement should be exact and reliable such that it facilitates easy comparison with the set standards. Moreover, the measurement of performance can be at various stages in the activity or at the completion of the activity.
3. **Comparing Performance:** After the actual performance is measured, it is then compared with pre-defined standards. This helps in assessing whether there are any deviations/deficiencies in performance. Accordingly, it helps in identifying the required corrective actions to be taken.

4. **Analysing Deviation:** With the comparison of actual performance with set standards, deviations in performance are identified. For analysing deviations, the following methods can be used:

- **Critical Point Control:** According to this technique, rather than controlling all the activities in the management, only the key result areas (those that affect the entire organisation) should be focused on.
- **Management by Exception:** According to this technique, only significant deviations which are above an acceptable range should be controlled. An attempt must not be made to control everything.

Deviations should be identified, but their causes must also be recognised. Some causes for deviations can be infeasible standards, deficiencies in process and dynamic business environment.

5. **Corrective Measures:** In case deviations are beyond the acceptable range, it becomes necessary to take corrective action. It must be ensured that the deviations do not occur again.

Answer 29

Working capital refers to current assets which help in day-to-day business operations.

- Nature of business:** A company which deals in trading or services will require low working capital because it manages a small operating cycle and absence of processing. On the other hand, a company manages a large operating cycle will require high working capital as the conversion of raw materials into finished product before the end of sale transaction.
Manufacturing organisations ⇒ High working capital
Trading/Service organisations ⇒ Low working capital
- Scale of operations:** A company which is operating in a large-scale of operations will require larger fixed assets in the form of plants, land and building.
Larger organisation ⇒ Higher investment in fixed assets
Small organisation ⇒ Lower investment in fixed assets
- Seasonal factors:** A company selling seasonal products will require high working capital to meet higher sale, higher production, higher stock and more debtors. While a company selling goods throughout the season will require constant working capital which is low working capital spread throughout the season.
Peak season ⇒ High working capital
Lean season ⇒ Low working capital
- Production cycle:** A longer production cycle will require high working capital as it will take more time to convert raw material into finished products. On the other hand, a small production cycle will require less working capital.
Long production cycle ⇒ High working capital
Small production cycle ⇒ Low working capital

OR

Capital structure is the proportion of debt and equity used for financing business operations.

- i. **Cash flow position:** The cash flow position should match with the obligation of making payments because if the company fails to make payment will face insolvency. So, a company employs more debt securities in its capital structure if a company is sure of generating enough cash inflow. On the other hand, if there is less cash, then a company should employ more of equity in its capital structure.
Strong cash flow position \Rightarrow More debt
Weak cash flow position \Rightarrow More equity
- ii. **Cost of equity:** In terms of dividend payments, higher the cost of equity, lower is its proportion in total capital.
Use of debt increases \Rightarrow Financial risk increases \Rightarrow Expectation of rate of return increases \Rightarrow Difficult to opt for equity \Rightarrow Equity cost increases
- iii. **Flotation cost:** Based on costs involved to raise funds from various sources will affect the selection of the capital structure by a company.
Higher flotation cost involved in raising funds from a particular source \Rightarrow Lower proportion of that source in capital structure
- iv. **Stock-market conditions:** It is easy to opt for equity during boom condition and difficult to opt for equity during the recession condition.

Answer 30

Marketing refers to the process of interaction between buyers and sellers with the objective of exchange of goods and services.

Functions of marketing:

- i. **Gathering and analysing market information:** Marketer analyses the market and identifies the best opportunities. Collecting information of the target market segment including the size of market and behaviour, culture, needs and wants of customers.
- ii. **Marketing planning:** Creating a market plan to achieve marketing goals and objectives of the organisation. Market research is conducted to analyse preferences of customers to formulate a suitable plan.
- iii. **Customer support services:** Involves handling complaints and feedback of customers. Customer support services are developed such as credit, maintenance, technical services and consumer information. These customer services are provided to satisfy customers and to make them a permanent customer for their product.
- iv. **Physical distribution:** Channels of distribution are to be decided through which products would be moved from place of production to the place of consumption. Choosing an appropriate distribution channel holds more important because an inappropriate distribution channel may either lead to an increase in the price of the good or decrease in the quality of the product.

OR

There are different views with regard to expenditure on advertising. On one hand, it is considered a social waste as it adds to the cost of production, weakens social values and adds to consumer needs and desires. On the other hand, it is beneficial as it helps in enhancing the sales of the product of the firm.

Objections to advertising:

1. **Higher Cost:** Expenses on advertisement add to the cost of the product, the firm and is passed on as additional cost to consumers in the form of higher prices.
However, advertising helps in attracting consumers to the product. Accordingly, the demand for the product increases. To cater to the increased demand, the production increases. An increase in the production in turn lowers the per unit cost of production.
2. **Weakens Social Values:** A major argument against advertising is that it weakens social values in the sense that it promotes materialism in society. Advertisement attracts customers and induces them to purchase the product. They are more aware with regard to the availability of different and new products in the market. In the process, they are often dissatisfied with their current possession of goods. Often on being increasingly attracted by the new product, they even purchase products which they may not require. This increases materialism in society.
On the other hand, it is said that an advertisement is beneficial to consumers in the sense that it informs them about various products available in the market. The final decision regarding the product purchase lies with the consumer himself.
3. **Creates Confusion:** With the advertisements of a large number of similar products, the consumer often gets confused. On the contrary, advertisements may help in increasing knowledge of different products available in the market. In this way, it increases consumer choice and helps consumers in making an informed decision with regard to product purchase.
4. **Promotes Inferior Goods:** Advertisement induces consumers to purchase the product. Even inferior goods can be advertised, and their demand be induced. However, it said that quality is only a relative product. Advertisements provide knowledge with regard to all kinds of products. Whether to purchase a product or not is up to the consumers themselves.

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Time: 3 hrs

Max. Marks: 90

Note:

- Please check that this question paper contains 12 printed pages.
- Code number given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.
- Please check that this question paper contains 30 questions.
- **Please write down the Serial Number of the question before attempting it.**
- 15 minutes time has been allotted to read this question paper. The question paper will be distributed at 10.15 a.m. From 10.15 a.m. to 10.30 a.m., the students will read the question paper only and will not write any answer on the answer-book during this period.

General Instructions:

- (i) **All** questions in both the sections are compulsory.
- (ii) Marks for questions are indicated against each question.
- (iii) Questions No. **1 – 12** are very short-answer questions carrying **1** mark each. They are required to be answered in one sentence each.
- (iv) Questions No. **13– 18** are short answer questions carrying **3** marks each. Answers to them should normally not exceed **50 – 75** words each.
- (v) Questions No. **19 – 22** are also short answer questions carrying **4** marks each. Answers to them should normally not exceed **150** words each.
- (vi) Question number **23 – 26** are long-answer questions carrying **5** marks each. Answers to them should normally not exceed **150** words each.
- (vii) Question number **27 – 30** are long-answer questions carrying **6** marks each. Answers to them should normally not exceed **200** words each.
- (viii) Answers should be brief and to the point and the above word limits should be adhered to as far as possible.

1. To see whether plans are implemented and activities are being performed according to schedule', is a step of planning process. Identify the step. **[1]**
2. Define organising as a function of management. **[1]**
3. Identify the type of suitable organisation structure for a large organisation having diversified activities requiring high degree of specialisation in operations. **[1]**

4. What is meant by 'Principles of Management'? [1]
5. State how staffing ensures 'continuous survival and growth of the enterprise'. [1]
6. Name and state the 'on-the-job method of training' that is used to give training to the electricians. [1]
7. What is meant by 'Democratic style of leadership'? [1]
8. What is meant by 'Motivation'? [1]
9. State the essential function of a 'primary market'. [1]
10. Name two alternative mechanisms through which allocation of funds can be done. [1]
11. What is the advantage of registering 'trade mark'? [1]
12. State the meaning of 'Product Identification' function of packaging. [1]
13. Explain how 'management by exception' helps in controlling process. [3]
14. Explain how controlling helps in:
 - a. Accomplishing organisational goals
 - b. Judging accuracy of standards[3]
15. Explain any three functions of financial market. [3]
16. State any three 'development functions' of Securities and Exchange Board of India (SEBI). [3]
17. Explain any three points of importance of consumer protection from the point of view of consumers. [3]
18. State any six responsibilities of a consumer which should be kept in mind while purchasing the goods. [3]
19. Sahil, the director of a garments company, is planning to manufacture bags for the utilisation of waste material of one of his garments units. He decided that this manufacturing unit will be set up in a rural area of Odisha where people have very less job opportunities and labour is available at very low rate. He also thought of giving equal opportunities to men and women. For this he selected S. Chatterjee, Inderjeet Kaur, Aslam and Sarabjeet as heads of Sales, Accounts, Purchase and Production departments.
 - i. Identify and state the next two steps that Sahil has to follow in the staffing

process after selecting the above heads.

- ii. Also, identify two values which Sahil wants to communicate to the society by setting up this manufacturing unit. [4]

20. Explain the concept and the objective of Financial Management. [4]

21. Explain any four factors which affect the fixed capital requirement of a company. [4]

22. What is meant by 'Investment Decisions'? State any three factors which affect the 'investment decision'. [4]

23. State any five features of 'Co-ordination'. [5]

24. Nikita and Salman completed their MBA and started working in a multinational company at the same level. Both are working hard and are happy with their employer. Salman had the habit of backbiting and wrong reporting about his colleagues to impress his boss. All the employees in the organisation knew about it. At the time of performance appraisal the performance of Nikita was judged better than Salman. Even then their boss, Mohammad Sharif, decided to promote Salman, stating that being a female, Nikita will not be able to handle the complications of the higher post.

- i. Identify and explain the principle of management which was not followed by this multinational company.
- ii. Identify the values which are being ignored quoting the lines from the above para. [5]

25. The court passed an order to ban polythene bags as

- i. These bags are creating many environmental problems, which affect the life of people in general.
- ii. Society, in general, is more concerned about the quality of life. The government decided to give subsidy to jute industry to promote this business. Innovative techniques are being developed to manufacture jute bags at low rates. Incomes are rising and people can afford to buy these bags.

Identify the different dimensions of business environment by quoting the lines from the above particulars. [5]

26. Explain any five features of planning. [5]

27. Give the meaning of 'Informal Organisation' and state any five features of it.

OR

Give the meaning of essential elements of 'Delegation' [6]

28. Explain the following non-financial incentives.

- i. Status
- ii. Organisational climate
- iii. Career advancement opportunities

OR

Explain any four psychological barriers to effective communication.

[6]

- 29.** 'Choice of an appropriate channel of distribution is a very important marketing decision which depends on various factors'. Explain any three such factors.

OR

Pricing of a product is an important and effective competitive weapon in marketing which depends upon various factors. Explain any three such factors.

[6]

- 30.** Explain the role of 'Advertising' in marketing management.

OR

Explain the role of 'Public Relations' in marketing management.

[6]

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Answer 1

The step discussed in the question is follow-up action.

Answer 2

Organising refers to the procedure wherein various activities in an organisation are aligned in order. It comprises defining the roles of various personnel and directing them to work towards the goals and objectives of the organisation.

Answer 3

Functional structure is suitable for a large organisation having diversified activities requiring a high degree of specialisation in operations.

Answer 4

Principles of management are the guidelines for the decision making and behaviour of management.

Answer 5

Staffing refers to the process of filling job positions in an organisation and maintaining the positions so filled. Proper staffing ensures that the most competent and efficient people are employed for various tasks. In this way, it helps in the survival and overall growth of an organisation.

Answer 6

Apprenticeship training is used to give training to electricians. Under such training, workers are made to work with a master worker who provides them the required skills for the job. After a pre-defined amount of time, the workers are then gradually shifted to work themselves.

Answer 7

Democratic leadership is the style where decisions are taken by the leader after consultation with subordinates. Under this style, subordinates are involved in the decision-making process.

Answer 8

Motivation refers to the process of inducing employees to work towards the desired goals and objectives. In other words, it implies encouraging workers to work to the best of their capabilities towards the common goals and objectives of the organisation.

Answer 9

The essential function of the primary market is that it facilitates the transfer of funds from savers to investors.

Answer 10

Two alternative mechanisms through which funds can be allocated are financial markets and banks.

Answer 11

The advantage of registering a trademark is that the person who has registered the trademark has the legal right to use it.

Answer 12

Packaging performs the product identification function. With the help of packaging, customers are able to identify the product.

Answer 13

According to the principle of management by exception, control must be by exception. An attempt must not be made to control everything. It is based on the belief that controlling everything would result in controlling nothing. Accordingly, only those deviations must be acted upon which are significant (which are beyond a limit according to the standards). An acceptable range of deviation must be identified and those deviations should be highlighted which are beyond the acceptable range. If minor deviations are also highlighted and acted upon, then it may happen that the major deviations lose out on priority.

Answer 14

1. **Accomplishing Organisational Goals:** Controlling ensures that various activities are performed correctly according to the plans. It ensures that deviations if any are identified and appropriate corrective action is taken.
2. **Judging Accuracy of Standards:** An effective control system ensures that the standards are set accurately. As the business environment changes, it ensures that the standards are also reviewed so as to adapt to the changes taking place.

Answer 15**Functions of financial market:**

- i. **Mobilising savings:** The financial market acts as a channel for mobilising savings to productive use. This is done by providing savers a platform for transferring investment. It provides savers a wide choice in investment. In this way, it ensures that funds are directed towards the most productive investment.
- ii. **Establishing price:** The financial market facilitates the interaction between those who demand securities (households) and suppliers of securities (business firms). This helps in establishing a competing price for securities.

- iii. **Providing liquidity to assets:** By easing the process of sale and purchase of securities, the financial market provides liquidity to securities. That is, through the financial market, securities can be easily converted to cash.

Answer 16

Development functions of SEBI:

- i. **Training:** SEBI provides training and development programmes for intermediaries of the securities market. This helps in promoting healthy growth of the securities market.
- ii. **Research:** SEBI conducts research on various important areas of the securities market, which are then published. The reports of SEBI help investors and other market players in decision making with regard to investment.
- iii. **Flexible Approach:** SEBI has adopted a flexible approach towards various activities of the securities market. For instance, it has permitted internet trading and IPOs. This encourages the development of the capital market.

Answer 17

Importance of consumer protection from the point of view of consumers:

- 1. **Consumer Ignorance:** In India, consumers are unaware about their rights and available reliefs, so it becomes important to educate them about the same.
- 2. **Consumer Exploitation:** In India, consumer organisations and NGOs are few and not that powerful, implying the need of protecting consumers.
- 3. **Unorganised Consumer Group:** Sellers are engaged in exploitative and unfair trade practices to increase sales, implying the need for consumer protection.

Answer 18

Responsibilities of a consumer:

- i. **Awareness:** A consumer must be aware of the availability of various goods and services so that he can take wise decisions.
- ii. **Looking for Quality Marks:** A consumer must always purchase goods and services which have the concerned quality certification marks. For instance, they must look for the ISI mark on electrical goods and the AGMARK on agricultural goods.
- iii. **Asking for Cash Memo:** For every purchase of a good or service, a consumer must always ask for a cash memo or bill. The bill is the proof of purchase and can be used for reference purposes.
- iv. **Reading Labels:** A consumer must always look and read carefully the labels providing information about the product such as price, weight and expiry date of the product.
- v. **Honest Transactions:** A consumer must always indulge in honest business transactions and should discourage illegal trade practices such as black marketing and hoarding.

- vi. **Ensure Safety:** A consumer must always ensure his own safety. He must carefully read the instruction manuals provided by the manufacturer before using the product.

Answer 19

- i. Next two steps which Sahil should follow after selecting the heads:
 - a. **Induction and Placement:** When a candidate is selected, the induction and placement process take place. Under the induction process, candidates are briefed about the workplace, their colleagues and manager. In other words, the employee is made familiar with the work environment. Similarly, placement refers to actually occupying the position by the selected employee.
 - b. **Training and Development:** Training involves improving the competence of employees required for performing the job. On the other hand, development focuses on the overall enrichment of employees. Proper training and development in the organisation provide opportunities to employees for overall growth and career development.
- ii. Values which Sahil wants to communicate to society by setting up this manufacturing unit:
 - a. Development of rural area
 - b. Gender equality

Answer 20

Financial management is efficiently acquiring and using funds. The basic objective of financial management is to maximise the wealth of shareholders. It aims at taking financial decisions which prove beneficial for shareholders. Such financial decisions are taken wherein the anticipated benefits exceed the cost incurred. This in turn implies an improvement in the market value of shares. An increase in the market value of shares is gainful for shareholders. In other words, financial decisions must be taken which lead to value addition to the company, so the price of the equity share rises. As this basic objective is fulfilled, other objectives such as optimum utilisation of funds and maintenance of liquidity are also fulfilled automatically.

Answer 21

Factors affecting the fixed capital requirement of a company:

- i. **Scale of Operations:** If an organisation operates on a large scale, then it will require more fixed capital. On the contrary, for a small-scale organisation, less fixed capital is required.
- ii. **Choice of Technique:** If an organisation opts for capital intensive technique, then it will be requiring more fixed capital. On the other hand, the requirement of fixed capital will be less if a labour-intensive technique is used by the organisation.
- iii. **Nature of Business:** The nature of business is one of the important determinants of fixed capital requirement. For instance, organisations dealing in services require

low fixed capital. As against this, an organisation dealing in manufacturing would require large fixed capital.

- iv. **Technology Upgradation:** If technology needs to be upgraded sooner in the organisation, then there will be more requirement of fixed capital and *vice versa*.

Answer 22

Investment decision refers to the decisions regarding investment of funds in different assets such that the firm can earn maximum returns. Such decisions affect the earning capacity of the business in the long run.

Factors affecting investment decisions:

1. **Cash flows of the project:** When the organisation invests in any project, it leads to generation of cash flows and receipts. Before investing in any project, it is essential for the organisation to carefully analyse the expected cash flows from the project.
2. **Rate of return:** Organisation must analyse the rate of return of the project before making the long-term investment decision. Generally, investment should be made in the project which yields a higher rate of return.
3. **Investment criteria:** Before investing in a particular project, an organisation performs various calculations with regard to the total amount of investment, expected rate of return, expected cash flows and interest rate.

Answer 23

Features of coordination:

- i. **Integrates group efforts:** Coordination acts as a binding force in the organisation in the sense that it unifies the efforts of various individuals in the organisation towards the achievement of common goals and objectives of the organisation.
- ii. **Ensures unity of action:** Coordination unifies the actions of all employees in the organisation towards the accomplishment of a common organisational objective.
- iii. **Continuous process:** Coordination is a continuous process. It begins from planning and continues till controlling. Then, it starts again with planning.
- iv. **All pervasive function:** Coordination is a pervasive function in the sense that every manager and management level performs this function to achieve the organisational goal.
- v. **Responsibility of all managers:** The coordination function has to be performed by every manager in the organisation. Top-level managers coordinate with subordinates to ensure that policies of the organisation are properly implemented. Middle-level managers coordinate with top-level and lower level managers. Lower level managers coordinate with workers to see that work is performed according to plans.

Answer 24

- i. The principle of management which is not followed in the company is equity. According to this principle, there must be equal and fair treatment of various employees in an organisation. There must not be any discrimination on grounds such as religion, gender and caste. Force or kindness in behaviour as required may be used equally for all employees. Such equality in treatment promotes in building a healthy and friendly work environment.
- ii. Values which are being ignored in the given case:
 - a. **Gender equality:** At the time of performance appraisal, the performance of Nikita was judged to be better than Salman. Even then their boss Mohammad Sharif decided to promote Salman, stating that being a female, Nikita will not be able to handle the complications of the higher post.
 - b. **Good working environment:** Salman had the habit of backbiting and wrong reporting about his colleagues to impress his boss.

Answer 25

Different dimensions of business environment which can be identified from the given particulars:

- i. Incomes are rising and people can afford to buy these bags-Economic environment
Economic Environment: Economic factors such as unemployment rates, stock market indices, inflation rate and interest rate within which a business conducts and operates its working points to the general condition of the economy. Because these factors have a direct impact on the business, a businessman should scan the economic environment and take timely actions to deal with it.
- ii. Society generally is more concerned about the quality of life-Social environment
Social Environment: Social environment implies the nature of lifestyles, customs, literacy rates, traditions, social trends, educational levels and other characteristics of society. These factors cannot be overlooked as they have an impact on society in the long run.
- iii. Innovative techniques are being developed to manufacture jute bags at low rates-Technological environment
Technological Environment: The nature of technology available and used by the economy or production house falls under the technological dimension. Any new scientific improvements, new procedures or techniques for improving the quality of services and goods facilitate a firm's effectiveness and efficiency to survive in the competing world. Technological environment comprises technological changes and improvements and may also get reflected in factors such as expenditure on R&D and rate of obsolescence.
- iv. The court passed an order to ban polythene bags-Legal environment
Legal Environment: It refers to the legislation and rules framework impacting the business. These laws relate to consumer protection, joint stock companies, employment relation and health and safety. It is framed by the Parliament and passed by the government such as the Companies Act, 1956, Industries Dispute Act, 1947, and Trade Union Act, 1926.

- v. The government decided to give subsidy to the jute industry to promote this business-Political environment

Political Environment: It is a combination of different ideologies advocated by different parties. The factors relating to affairs such as political stability, power and attitude of government towards policies and societies constitute the political environment. It has a direct and immediate impact on business transactions and its functioning.

Answer 26

Features of planning:

- i. **Focus on objectives:** Planning starts when an objective is set and proper planning gives boost to a well-organised and goal-oriented management. Plans ensure that the desired objective is attained economically and quickly. Managers must make sure that the plans made are purposeful, specific, realistic and clear and should adhere to the company's strategies, procedures and policies. For example, if a sales target is to be achieved, then the plans must be made in sync with this objective.
- ii. **Acts as a stepping stone:** A goal is achieved through planning, organising, staffing, directing and controlling. Planning thus serves as the stepping stone for all other functions of an organisation. The rest of the functions are conducted within the framework of the plans drawn, i.e. the other functions are interrelated and interdependent on planning. Thus, planning acts as the primary function for all organisations.
- iii. **Pervasiveness:** Planning must be done at all levels of management and in all departments of the organisation. However, its scope differs along the various dimensions of business levels. For example, top-level managers have to chalk out the policies regarding the overall management, whereas middle-level managers plan out the authority to be assigned to subordinates or departmental planning. On the other hand, lower level managers have to perform day-to-day operational planning and make out small targets.
- iv. **Continuity:** After an objective or goal is achieved, the plan drawn for it does not cease to exist but goes on to become a never ending strategy because of the dynamic nature of the business environment. It is a continuous process as after or within the plan period, a need arises for the formulation or modification of another plan, keeping in view the new objectives and circumstances. It is a continuous process all along the life of a business enterprise.
- v. **Choice making:** After coming up with all possible alternatives and its outcomes, managers need to evaluate them. This evaluation is based on the utility and the consequences of the options and the performance study of various actions. Various factors will be weighed against each other as they must assess the pros and cons of each alternative.

Answer 27

A network of social relationships which arises spontaneously due to interaction at work is called an informal organisation. It arises out of free social interaction among employees of an organisation.

Features of an informal organisation:

1. An informal organisation arises spontaneously out of the social friendly interactions among like-minded personnel in a formal organisation.
2. Rules and regulations of the group are followed instead of organisational rules.
3. There is free communication and interaction among employees.
4. It does not have any definite structure, so we can say that it is complex.
5. It is not deliberately created by management.

OR

Essential elements of delegation:

- i. **Authority:** It refers to the power of giving commands and directions to subordinates. Herein, power is given with regard to deciding what activities are to be done and by whom. In a formal organisation, a scalar chain defines authority. In an organisation, the authority flows from top to bottom, i.e. the top-level management has the highest authority, then the middle level and finally the lower level. Assigning authority promotes obedience and compliance in the organisation.
- ii. **Responsibility:** Responsibility refers to the obligation that the task which is assigned is successfully completed within the stipulated time. A responsible subordinate is obedient and loyal towards the duties assigned to him. Contrary to authority, responsibility flows upward, i.e. the subordinate is responsible to his superior. However, it must be ensured that while giving responsibility, a fair degree of authority is also given. Similarly, the one who has authority must also be responsible. This is because without responsibility, authority may lead to the unjustified use of power. On the other hand, responsibility without authority would hamper efficiency.
- iii. **Accountability:** Accountability implies being answerable for the outcome of the work. In an organisation, the superior is accountable for the work assigned by him. Although he has delegated the work to subordinates, he is still responsible for the outcome. The superior must ensure that the tasks are performed and completed satisfactorily. For this, regular feedback and supervision must be given.

Answer 28

- i. **Status:** Status is one of the organisational barriers. It may happen that because of status in terms of profile and authority, workers develop a feeling of superiority (or inferiority). Such a psychology restricts free flow of communication in the organisation.

- ii. **Organisational climate:** Characteristics of the organisation such as employee autonomy, incentives and rewards affect employee behaviour. If the management develops the organisational climate, then it encourages employees to work more efficiently.
- iii. **Career advancement opportunities:** Employees must be given ample opportunities to develop their skills and knowledge such that they are able to improve their career prospects. This can be done through training and development programmes.

OR

Psychological barriers to effective communication:

- i. **Premature evaluation:** Sometimes the receiver derives the meaning of the message even before the message is completed.
- ii. **Lack of attention:** While communication takes place, it may happen that the receiver is preoccupied with something else and that is why he is unable to grasp the message communicated to him.
- iii. **Loss by transmission and poor retention:** There can be loss of information or transmission of wrong information due to information passing through multiple stages. Besides this, there can also be a problem of poor retention at the receiver's end.
- iv. **Distrust:** If the parties do not trust each other, then they will not be able to communicate effectively.

Answer 29

Factors affecting the choice of an appropriate channel of distribution:

- i. **Product Type:** The choice of channel of distribution depends on the type of product, i.e. perishable or non-perishable, industrial or consumer product. For example, in case of perishable goods, short channels of distribution would be more suitable. Similarly, for consumer products, long channels are used, while for industrial products, short channels are used.
- ii. **Characteristics of the Company:** There are two important characteristics of a company which determine the channel of distribution used by it—financial strength and degree of control which the company wishes to command over intermediaries. Shorter channels of distribution require greater funds but also offer greater control over intermediaries. Accordingly, a financially strong company or a company which wishes to command greater control over intermediaries would opt for shorter channels of distribution.
- iii. **Competitive Factors:** The channel of distribution opted by a company also depends on the channels opted by its competitors. For instance, a company may opt for a similar channel as used by its competitors.

OR

Factors which affect the determination of the price of a product:

1. **Cost of Product:** Cost of the product is the most important factor determining the price. The cost of product can be of the following three types:
 - **Fixed cost:** Cost which remains fixed irrespective of the level of output. Example: Cost of machinery or land
 - **Variable cost:** Cost which varies in direct proportion with the level of output. As the level of output increases, variable cost also increases and *vice versa*. Example: Cost of labour or raw material
 - **Semi-variable cost:** Cost which varies with the level of output but not in direct proportion. Example: Commission paid to intermediariesGenerally, a firm decides such a price for its product so that it can cover the various costs and earn a profit.
2. **Demand for the Product:** Another important factor determining the price of a product is the elasticity of demand for the product. Price elasticity of demand implies how responsive the demand is to the changes in price.
 - **Elastic demand:** The demand is said to be price elastic if a given proportionate change in price leads to a more than proportionate change in demand. In such a case, charging a higher price by the firm would lead to a large fall in demand.
 - **Inelastic demand:** The demand is said to be price inelastic if a given proportionate change in price does not bring about any significant change in demand. In such a case, it is possible for a firm to charge a higher price. This is because even at higher price, the demand will not fall much.
So, goods generally having an elastic demand have a comparatively lower price than those which have an inelastic demand.
3. **Degree of competition in the market:** In case there is high competition in the market, it is not possible for a firm to charge a higher price. This is because if the firm charges a higher price, consumers would shift the demand to its competitors.

Answer 30

Role of advertising in marketing management:

- i. **Demand creation:** Advertising leads to creation of demand for producer's products. It creates a positive image of the product in the eyes of customers and thus leads to increase in the number buyers and size of the market for the product.
- ii. **Employment generation:** Advertising creates employment in the economy directly and indirectly. It directly creates employment by hiring people for designing, writing and issuing advertisements. On the other hand, employment is indirectly created by increasing the sales and production of the products in the economy.
- iii. **Enhances customer confidence:** Advertising enhances customer confidence as it assures the quality of the product. Thus, customers feel confident and satisfied.

- iv. **Cost effective:** Advertising helps in attracting consumers to the product. Accordingly, the demand for the product increases. To cater to the increased demand, the production increases. This in turn lowers the per unit cost of production.
- v. **Wide choice:** Advertising provides a wide choice to consumers in the sense that it informs them about the various products which are available in the market. Thus, it increases their choice and helps them in making an informed decision with regard to product purchase.
- vi. **Increased sales and profits:** Advertising is a technique of promotion of a product. It attracts customers towards the product and thus leads to a boost in sales and profits of the firm.

OR

Role of public relations in marketing management:

- i. **Press relations:** The public relations department of the company maintains a good relation with the press so that positive news can be spread about the company to the outside world.
- ii. **Product publicity:** Promotion and publicity of the product can be easily facilitated by the public relations department. In this regard, the department can conduct seminars and events.
- iii. **Maintaining corporate communication:** Organisations communicate with public and employees so that they can maintain their goodwill. This is done with the help of newsletters, articles and brochures.
- iv. **Lobbying:** Organisations have to deal with government officials regarding business policies. The public relations department plays a crucial role by promoting or defeating regulations which affect the organisation.
- v. **Counselling:** The public relations department provides counselling to the management on general issues such as contributing money for social causes and undertaking activities which contribute to organisational goodwill.