

CBSE
Class XII Business Studies
All India Board Paper Set 2 – 2018

Time: 3 hrs.

Max. Marks: 80

Answer 1

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 2

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

Answer 3

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

Answer 4

Steps followed by Saurabh which are related to planning:

- i. Setting objectives
- ii. Developing premises

Answer 5

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

Answer 6

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 7

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

Answer 8

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 9

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

- i. **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.

- ii. **Selection decision:** When the candidate clears the tests and interviews, the final selection is done.
- iii. **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 10

- (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:
 - i. Spread of information is faster when it flows through an informal path.
 - ii. Through informal communication, managers can get to know the true thinking or mindset of employees which can prove helpful in decision making.

Answer 11

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 12

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

- 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.

Answer 13

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 14

- (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:
- Healthcare to rural people
 - Upliftment of poor in rural areas

Answer 15

- (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:
- 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.
 - 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 16

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

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

Answer 17

Points highlighting the importance of controlling in an organisation:

- 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.
- 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.
- 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 18

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 19

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 20

- (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:
- 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.
 - 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.
 - Formulating plans and policies***: Understanding and analysing opportunities and threats help a business frame suitable plans and policies in view of the current scenario.
 - 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 21

- (a) The concept discussed in the given paragraph is ***price of the product***.
- (b) Four factors discussed in the above case:
- 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***
 - 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***
 - 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***
 - 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 22

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 23

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 ⇒ More fixed capital
Availability of financing alternatives ⇒ Less fixed capital

Answer 24

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 25

- 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.