

CBSE
Class XII Business Studies
Sample Paper – 2

SECTION A

Answer 1

The objective of management which is being described is 'social objective'. Organisation being a part of society must give back to it in the sense that it creates economic value for it. It includes such obligations as using environment-friendly techniques, creating employment opportunities, creating various social amenities such as schools, hospitals etc.

Answer 2

Option C: To measure actual performance

Answer 3

Option B: Advertising

Answer 4

The organisational structure which follows scalar chain is 'formal organisational structure'. In a formal organisational structure, the boundaries of authority are systematically and clearly defined. In such an organisation, communication is according to the scalar chain or the hierarchy defined in the organisation.

Answer 5

Option B: Web publishing

Answer 6

Delegation refers to the act of transferring authority to lower levels in the hierarchy.

Answer 7

Option A: District forum

Answer 8

According to Taylor, in a factory set up, the performance of the foreman must be improved. The foreman forms the link between managers and workers. Accordingly, the planning, production and control is dependent on the performance of the foreman. Thus, it is necessary to improve the performance of the foreman to improve the overall performance in the factory.

Answer 9

Option B: Policy

Answer 10

Option C: Accountability

Answer 11

Basic objectives of financial planning:

1. Identifying sources from where funds can be raised and ensuring that the required funds are available to the firm as and when needed.
2. To ensure that there is no surplus or excess funding by the firm.

Answer 12

Option D: Establishing work relations

Answer 13

Option D: None of the above

Answer 14

The marketing management philosophy which is being described is the 'production concept'. According to this concept, demand in the market always exceeds the supply. Accordingly, anything that is produced can be sold in the market. For profit maximisation, the primary focus of the business should be on production.

Answer 15

Option D: All of the above

Answer 16

Option D: Evaluating the alternative courses of action

Answer 17

The right being described in the given situation is 'right to seek redressal'. Every consumer has the right to seek redressal in case of a complaint or if the product is not according to the expectations of the consumer.

Answer 18

Procedure refers to the chronological order of steps which must be followed in an activity. In other words, a procedure defines the general steps which must be followed in an activity with the aim of achieving the set objectives.

Answer 19

Option B: Depository

Answer 20

Option D: Various functions of management are performed one after the other.

SECTION B**Answer 21**

- a) The business environment is dynamic. The various dimensions of business—social, political, economic, legal and technological—change continuously. Business organisations must continuously adapt their operations to various changes. However, continuous changes make it difficult to assess the future accurately. So, it becomes difficult to formulate effective plans.
- b) Planning involves huge costs in terms of time and money. Drafting detailed plans requires research and calculations which prove costly. Moreover, there are other expenses as well such as the expenses on meetings and discussions and investigations. All these expenses make the planning expensive in terms of money. In addition, drafting plans consumes much time, such that at times little time is left for actual implementation.

Answer 22

- a) There are two characteristics of business environment reflected in the above question:
 - 1. Interrelation
 - 2. Dynamic
- b) Following is the explanation for the characteristics stated above:
 - 1. **Interrelation:** Different forces and factors such as legal, technological, political and social conditions of business environment are closely related to each other. For example, an increase in the income of the consumers increases the demand for consumer durables such as televisions and refrigerators. Thus, a change in one factor affects the other factor.
 - 2. **Dynamic:** Being a mixture of numerous forces and factors, changes are bound to happen in a business environment. Any business should cope with the dynamic nature of an environment. For example, the tastes and preferences of a consumer, technology, government rules and policies keep changing continuously, therefore a business must be well-equipped to adapt to these dynamic business environment

Answer 23

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

1. **Employment Exchanges:** Employment exchanges serve as a link between job seekers and employers. Exchanges are generally run by the government and are used for recruitment of unskilled and skilled job positions. Many a times, records of the employment exchange are not updated and candidates referred by them are unsuitable.
2. **Campus Recruitment:** Recruiting students from educational institutions is called campus recruitment. This is now a popular source of recruitment. Mostly big organisations hire from colleges and various engineering and management institutions.

(OR)

- a) The process which is being described is 'recruitment'. Recruitment refers to searching for prospective candidates and convincing them to apply for job vacancies.
- b) Recruitment involves the following activities:
 - Identifying the sources of obtaining competent personnel
 - Assessing the validity of the source
 - Selecting the most suitable source
 - Inviting applications from suitable candidates from the selected source

Answer 24

The stock exchange is an institution which is constituted with the primary objective of assisting and controlling the sale and purchase of securities.

Transactions in a stock exchange are safe. Membership in the stock exchange is highly regulated. Dealings in the stock market are according to the defined legal framework. Accordingly, it ensures safety in transactions and a fair deal for investors.

The stock market contributes to economic growth in the sense that it acts as a channel through disinvestment and reinvestment of securities. It helps in channelising the securities to productive use which in turn leads to economic growth.

Answer 25

Important features of the National Commission:

1. The National Commission comprises a President and four additional members one of whom is a woman. The members along with the President are appointed by the Central Government.
2. A consumer can make a complaint in the National Commission when the value of the good (along with the compensation claimed) is more than Rs 1 crore. In addition, an appeal can be made in the National Commission if the consumer is not satisfied with the orders of the State Commission.
3. A consumer can further appeal against the orders of the National Commission in the Supreme Court.

SECTION C

Answer 26

Organisational objective of management refers to the objective of using various resources optimally and efficiently such that they yield maximum advantage. In other words, it must be able to fulfil the economic objective. According to the law, it is mandatory for tobacco-producing companies to print a warning message regarding the effect of tobacco on the packet of the product. So, the awareness among people regarding the health hazard of consuming tobacco has increased significantly. Accordingly, the demand for tobacco has reduced drastically.

Answer 27

- a) The kind of leadership which is followed is authoritative. Under such kind of leadership, the manager believes that once he has given the commands or orders, the subordinates must follow them. The leader does not like contradiction. He believes in giving both rewards and punishment. This leadership style promotes quick decision making. It proves to be most suitable in factory settings.
- b) The kind of leadership which is being followed is *laissez faire*. Under such leadership, the leader believes that the subordinates must be given the freedom to work independently. He believes that they must be encouraged to set their own objectives and work towards them. In this way, he provides the subordinates the complete responsibility of work while he supports them as and when required.

(OR)

No, I do not agree with the statement that managers and leaders are different. Differences between managers and leaders are tabulated below:

| Basis | Manager | Leader |
|----------------------------|--|--|
| <i>Existence</i> | Exists only in a formal organisation. | Exists in both formal and informal organisation. |
| <i>Objective</i> | The main objective of a manager is to influence the behaviour of employees such that they work towards achieving the common goals of the organisation. | The main objective of a leader is to ensure individual satisfaction and achievement of group goals of his followers. |
| <i>Power and Authority</i> | A manager has formal power and authority in the organisation through which he modifies the behaviour of employees. | A leader does not have any formal authority and power. He uses the values of trust and faith to influence behaviour. |
| <i>Functional Spread</i> | The functions of a manager include planning, organising, staffing and directing. | A leader primarily performs the function of directing. |

Answer 28

NSE (National Stock Exchange) was incorporated in 1992. It was recognised as a stock exchange in 1993 and started operations in 1994.

Basic objectives of NSE:

1. Establishing countrywide facility for trading
2. Ensuring that all investors get equal access through a proper communication network
3. Providing an electronic trading system which is fair and efficient
4. Enabling a book entry system and ensuring that settlement cycles are short
5. Ensuring that various operations and activities meet international standards

SECTION D

Answer 29

Planning refers to the process of deciding what is to be done and how it is to be done. In general terms, it formulates the basic idea of the nuances of a task.

Importance of planning for an organisation:

1. **Guides action:** Planning states clearly what is to be done and how it is to be done. In this way, it guides the actions of managers. Planning promotes proper coordination in the activities of various individuals and departments in an organisation.
2. **Reduces uncertainty:** Planning helps managers to anticipate in advance the changes that may take place. Accordingly, it helps them to decide the suitable course of action to be taken. It must be remembered that while changes that take place cannot be avoided, planning helps managers to deal with them better.
3. **Reduces wastages:** Proper planning promotes coordination of activities of various individuals and departments towards common goals and objectives. It states in advance what is to be done and the course of action to be followed. In this way, it helps in reducing the wastages of human and material resources.
4. **Promotes creativity:** Planning is a challenging activity which involves foreseeing the future and defining the appropriate course of action. In this way, it promotes creativity and innovation in ideas. New ideas and thinking forms the base of planning.
5. **Forms base for controlling:** Planning states in advance the goals and objectives to be achieved. In this way, it sets the standards against which the actual performance is evaluated. Accordingly, a corrective course of action can be developed. If there are no objectives or goals in the first place, then there is nothing against which the actual performance can be compared. Thus, planning forms the base for controlling.

(OR)

Planning implies to state in advance where to go and in which direction to move in order to achieve a target. Following are the two features of planning:

1. Planning focusses on objectives:

1. Planning starts when an objective is set, and proper planning gives a boost to well-organised and goal-oriented management.

2. Plans ensure that the desired objective is attained economically and quickly if possible.
3. 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.
4. For example, if the sales target is to be achieved, then the plans must be made in sync with this objective.

2. Planning is pervasive:

1. Planning must be done at all levels of management and in all departments of the organisation.
2. However, its scope differs along the various dimensions of business levels.
3. 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 are involved in departmental planning. On the other hand, lower level managers have to perform day-to-day operational planning and make out small targets.

Answer 30

Motivation refers to the process of inducing employees to work towards the desired goals and objectives. Following are the points depicting the importance of motivation:

1. **Improving performance:** Good motivation stimulates workers to work to the best of their capabilities and improves performance. With proper motivation, the needs of employees are satisfied and they are encouraged to work efficiently towards the goals of the organisation.
2. **Helps develop positive attitude:** Good motivation helps in developing positive attitude among employees towards work and towards achieving organisational objectives. This can be done through positive encouragement in the form of reward or praise.
3. **Helps reduce employee turnover:** Lack of motivation and incentives is one of the major reasons for employees quitting the organisation. If the needs of the individual can be properly identified and worked upon through incentives, then the employee would be better satisfied and encouraged to work.
4. **Helps reduce absenteeism:** Absenteeism in the organisation arises out of factors such as poor working conditions and lack of incentives and rewards. Good motivation can work towards improving such factors.
5. **Introduction of change:** With good motivation, resistance to change can be greatly reduced. With motivation, employees can be convinced with respect to the benefits of change.

(OR)

The process of satisfaction of human needs is the **motivation process** which is as follows:

1. **Unsatisfied Want:** An unsatisfied want is the basis of the motivation process.
2. **Frustration:** Because of the unsatisfied want, the individual develops frustration.
3. **Drives:** Frustration prompts the individual to search for alternatives to satisfy his need.

4. **Behaviour:** From among the numerous alternatives, he selects one and modifies his behaviour according to it.
5. **Satisfaction:** After following a particular behavioural pattern, he evaluates whether his need is satisfied.
6. **Reduced Frustration:** When the desired need is satisfied, the frustration which had built up reduces.

Answer 31

Controlling is closely related to planning. A good control system requires that there are 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 done.

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

SECTION E**Answer 32**

- a) **Method study:** According to 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. For example, the concept of assembly line. Various activities in a particular task are part of the method study.
- b) **Standardisation and simplification:** Standardisation refers to the process wherein a standard is set for various activities in production. The standard is then used as a benchmark for evaluating the task done. On the other hand, simplification means that unnecessary varieties in design and size add to the cost and thereby must be avoided.
- c) **Differential piece wage system:** According to this technique, based on the fixed standards and parameters, workers can be classified in two categories as efficient and inefficient. Accordingly, higher wages must be given to those who are efficient compared to those who are inefficient.

(OR)

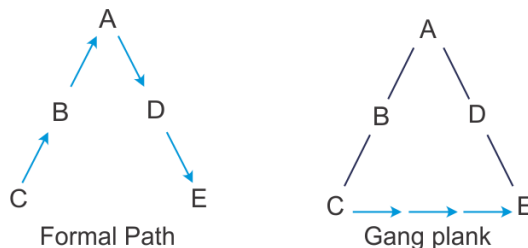
Scalar chain refers to the **formal line of authority** (in the order of rank) as followed in the organisation. Formal communication in an organisation follows the scalar chain:

A scalar chain refers to a pre-defined, formal path of authority and communication in the order of highest to the lowest. For example, A is the project manager in an organisation and he further has a project lead (B) and a team member (C) under him. So, the chain of communication would be A-B-C. Suppose there is another hierarchical order wherein he

has a team manager (D) and a team member (E), i.e. the chain of communication is A-D-E. Now, if C wants to communicate with E, then he would follow the communication path $C \rightarrow B \rightarrow A \rightarrow D \rightarrow E$. That is, C would first contact the higher authorities ($C \rightarrow B \rightarrow A$) who would then send the message to E ($A \rightarrow D \rightarrow E$).

However, in case of an emergency situation, C may directly communicate with E through 'Gang Plank'.

Gang plank refers to a **shorter emergency route** through which workers can communicate with each other.



Answer 33

- Capital structure refers to the ratio of debt and equity. Capital structure is said to be optimal when the ratio of debt and equity is such that the value of equity share increases, or in other words, the shareholder's wealth increases.
- Financial risk refers to the risk that the borrowed funds would not be repaid. Debt involves large financial risk.
- Financial leverage refers to the proportion of debt in the total capital of the firm.
- Trading of equity refers to a rise in profit of shareholders due to the presence of interest.
- Interest coverage ratio refers to the number of times the interest obligations are covered by earnings before interest and taxes.
- Floataion costs refer to the cost of raising funds from different sources.

(OR)

Following are the factors affecting the requirement of working capital:

- Type of business:** The nature of business is one of the important determinants of working capital requirement. For instance, trading organisations 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.
- 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.
- 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.

4. **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.
5. **Growth prospects:** Higher growth prospects imply higher production, sales and inputs. Accordingly, higher growth prospects for a company imply greater requirement of working capital.
6. **Seasonal factors:** Companies require huge amount of working capital because of the high level of activity in the peak season, whereas during the lean season they require less as the activities reduce.

Answer 34

Following are the rights of the consumers:

1) Right to Safety

- It refers to the right of consumers to safeguard themselves against goods and services which can be hazardous to life, health or property.
- For example, consumers can get injured if they use defective electrical appliances.
- Every consumer has the right to protect himself against such goods.

2) Right to be Informed

- Every consumer has the right to have complete information with regard to goods and services. For instance, they must have information regarding quality, quantity, price, ingredients and weight of goods and services.
- In India, it is mandatory under law for manufacturers to provide information about the product on its package and the label. This helps the consumer in making an informed choice.

3) Right to Choose

- A consumer has the right to have access to and choose from a wide variety of goods and services available in the market at competitive prices.
- Accordingly, the retailers or suppliers should offer a large variety of products to consumers.
- They must not be biased or force a customer towards buying a particular product.

4) Right to be Heard

- It refers to the right of consumers to be heard in an appropriate legal forum in case of any grievance or dissatisfaction faced by them.
- A consumer has the right to file a complaint in case of any grievance with regard to any product or service.

5) Right to Seek Redressal

- It refers to 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.
- Various redressal forums are set up under the Consumer Protection Act.

6) **Right to Consumer Education**

- It refers to 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.