

**CBSE**  
**Class XII Business Studies**  
**Sample Paper – 4**

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**SECTION A**

**Answer 1**

Ashwin belongs to the top level of management. Top level of management comprises the senior executives in the organisation such as the CEO, President and Vice President. Top level of management performs activities such as the following:

- i. Coordinate different activities in the organisation
- ii. Keep an eye on the changes in the business environment
- iii. Formulation of goals and objectives for the organisation

**Answer 2**

False, an organisation must maintain a balance between centralisation and decentralisation. As an organisation grows in size, decentralisation becomes a necessity. However, complete decentralisation may hamper smooth functioning towards common goals and objectives of the organisation.

**(OR)**

**Decentralisation** increases the importance of the role of subordinates. Decentralisation refers to the delegation of authority or power to the lower level in the hierarchy.

**Answer 3**

The number of subordinates which can be handled by a manager in an efficient manner refers to the span of management.

**(OR)**

I would suggest divisional structure for Kalpana Ltd. This is because it is said to be most suitable when the organisation deals in a large number of products which use different resources.

**Answer 4**

According to this principle, all the efforts and activities in a group must work towards one single objective. They must be guided by a single plan. The main objective of this principle is that there must not be any overlapping of activities of different groups.

**(OR)**

The term scientific management was coined by F. W. Taylor. According to Taylor, a scientific analysis of the work must be done so as to find the best method of doing it.

**Answer 5**

Expenses such as salaries and rent are called fixed operating costs of the firm. If a firm has high fixed operating costs, then it must reduce its financing cost. Accordingly, it must lower the debt.

**Answer 6**

Large competition implies that the firms must maintain high stock of goods. Accordingly, their working capital requirements are large.

**Answer 7**

The level of packaging being described is secondary packaging. In this level of packaging, an additional layer is used to pack the goods.

**Answer 8**

It is the responsibility of the consumer to purchase standardised products such that there is assurance of quality.

**SECTION B****Answer 9**

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.

Planning is the basic function of management and precedes all other functions. In fact, it is planning which lays the foundation for all other functions. Various managerial functions are performed according to the plans formulated by the organisation. Accordingly, planning is also called the primary managerial function. Planning involves taking decisions and drawing a broad outline for the future. It seeks to foresee the desired situation as against the present situation. For this, objectives are set and accordingly, a suitable course of action is defined. In other words, planning provides a systematic approach to the achievement of objectives. It must, however, be remembered that every plan must be given a particular timeline. In other words, it is necessary that the plans are implemented within a given time period, else the planning exercise would go futile.

**(OR)**

A budget is a ***single use plan which drafts the desired results in quantifiable figures***. For instance, a budget on production defines the number of machines or the number of workers which would be required and the expected units of products which would be produced. This representation in quantifiable figures makes it easier to compare the actual results with the expected results, and thereby take corrective actions.

Programme involves ***minute details of a project with respect to objectives, policies, rules and the requirement of human and material resources***. In other words, it would include

the details of the various activities involved in a project and how the project would contribute to the overall plan and objective of the organisation.

**Answer 10**

- i. The element of direction which can prove helpful in the given situation is 'motivation'. Motivation refers to the process of inducing employees to work towards the desired goals and objectives.
- ii. Features of motivation:
  - Motivation comes from internal factors such as desires or aspirations of human beings. For example, an employee may have the desire to rise professionally.
  - Motivation directs human behaviour. For example, if an employee who desires higher salary is given a performance-oriented incentive, then he may be motivated to improve performance.
  - Motivation can be both positive and negative. In an organisation, positive motivation can be in the form of promotion and higher salary. On the other hand, negative motivation can be in the form of punishments and threats.
  - As motivation deals with human behaviour, it is a complex process. Every individual is different in terms of expectations and reactions. Accordingly, different individuals require different motivation.

**Answer 11**

- i. The next step which would be taken is 'recruitment'. It would now search for prospective candidates and convince them to apply for the job vacancies.
- ii. Two sources which would help in completing the step would be
  - **Internal sources:** Job vacancies are filled from within the organisation.
  - **External sources:** Job vacancies are filled from outside the organisation.

**(OR)**

Functions of Miss Nandhini can be summarised as follows:

- i. Recruiting appropriate candidates
- ii. Preparing descriptions for the job positions
- iii. Preparing a plan for compensation and incentives of employees
- iv. Providing training to employees according to job requirements
- v. Maintaining a harmonious work environment
- vi. Ensuring social security and welfare of employees

**Answer 12**

The commercial bank can use 'call money'. Call money is a money market instrument which is used by commercial banks for interbank transactions with the basic objective of meeting the cash reserve requirements. Call money has a maturity period of less than 15 days. Interest paid on call money is called call rate. This rate is highly variable and varies from day to day.

**Answer 13**

- i. **Right to be informed:** Every consumer has the right to have information with respect to a product such as the ingredients, date of manufacturing, price etc.
- ii. **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.
- iii. **Right to safety:** Every consumer has the right to be protected against goods which can be harmful to life, property or health.

**SECTION C****Answer 14**

Yes, management can be described as a profession to some extent. It meets some criteria (though not all) for it to be called a profession. The following are the features based on which management can be called profession:

- i. **Systemised body of knowledge:** Management can be called a discipline in the sense that it has a well-defined and systemised body of knowledge. One can gain the knowledge of management through various schools, colleges and other institutions. Nowadays, various institutions are set up primarily with the objective of imparting management education.
- ii. **Restriction to entry:** Although unlike other professions, no specific degree or qualification is mandatorily required to be a manager. Preference is always given to those who possess a degree, diploma, training or professional knowledge.
- iii. **Associations:** In India, there are various associations for managers [e.g. All India Management Association (AIMA)]. These associations define the ethical code of conduct for managers and regulate their activities. However, it is not mandatory for managers to be a member of these associations.
- iv. **Motive to serve society:** Nowadays, profit maximisation is not the only goal of management, rather they also strive to serve society. This is done by producing good quality goods and charging reasonable prices.
- v. **Code of conduct:** For management as a profession, there is an ethical code of conduct which guides the behaviour of its members. The code of conduct ensures that the production takes place in an effective and efficient manner such that consumers are provided with quality goods and services at a fair price.

**Answer 15**

Business environment refers to the totality of various individual and institutional forces which affect the performance of an organisation. Various external forces such as social, political, economic and technological forces affect the business environment. For instance, a change in the taste and preferences of consumers, change in the political scenario, change in economic policies or change in the technology of production would impact the performance of business firms.

The various elements of business environment—social, political, technological, economic and legal—are interrelated. A change in one of the dimensions affects the other dimensions as well. For example, with the coming up of the festive season, the demand for decorative items increases. Here, a change in social environment (festive season) brings about a change in the economic environment (increase in demand).

The business environment is said to be uncertain as it is very dynamic. As changes in the business environment take place continuously, it becomes very difficult to predict the future. For instance, changes in technology take place very frequently, so it becomes very difficult to predict what would be the best technique of production in the future.

(OR)

- i. The dimension of business environment described is **social dimension**. The social dimension of business comprises the social forces such as customs, consumer tastes and preferences, values of society etc. In the given situation, due to rising awareness, the taste and preferences of consumers change in favour of organic food, and accordingly, their demand rises.
- ii. The dimension of business environment described is **legal dimension**. Legal environment comprises the various laws and orders passed by the government. Organisations in the economy must abide by the rules and regulations as prevalent. In the given situation, the passing of the Competition Act by the government is a legal dimension. The business firms must abide by the rules and regulations as stated by the law.

### Answer 16

- i. The concept which is being described is decentralisation. Decentralisation refers to delegating the authority or the decision-making power to the lower levels of hierarchy.
- ii. Some points in favour of the importance of decentralisation:
  - **Promotes self-reliance and confidence:** By assigning authority and responsibility, it promotes confidence among employees at the lower level in the hierarchy. They are given freedom and decision-making power. In this way, it gives them a chance to test and prove their potential.
  - **Develops future managers:** Hands-on experience in independent decision making helps employees to prove their decision-making skills. Decentralisation helps in identifying those who have greater capabilities to handle higher responsibilities.
  - **Fast decision making:** In a decentralised structure, as the authority and responsibility are at the lower level, the decision making is quick and at the nearest point of action.

**Answer 17**

- i. The element of direction which is being described is supervision. Supervision refers to the process wherein the activities of employees are guided towards pre-determined objectives.
- ii. The importance of supervision can be understood from the point of view of the role of the supervisor. Importance of supervision:
  - A supervisor acts as a middle link between managers and employees. On one hand, he passes the instructions of managers to workers and, on the other hand, he conveys the problems of workers to managers.
  - A supervisor helps maintain harmony among employees by sorting out differences among them.
  - He ensures that the work is done according to the set objectives. This is done by providing appropriate training and motivation to employees.

**(OR)**

- i. The element of direction which is best suitable in the given situation is ***motivation***. Inducing the workers to work and perform as desired so as to achieve the goals of the organisation.
- ii. Motivation can be explained as follows: Motivation starts with human need. As the need remains unsatisfied, restlessness or tension is created. The tension stimulates the person to search for such behaviour which would satisfy the need. As the need is satisfied, there is reduction or relief from tension.
- iii. ***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

**Answer 18**

- i. The term being described is sales promotion. Sales promotion refers to the various short-term incentives which are offered to customers so as to influence them to purchase the product.
- ii. Some sales promotion activities:
  - ***Discount***: It refers to offering a product for less than the listed price.
  - ***Product combination***: Offering some other product which is used in combination with the concerned product as a gift.
  - ***Sampling***: Offering a free sample of the product to potential customers.

**Answer 19**

	<b><i>Money Market</i></b>	<b><i>Capital Market</i></b>
<b><i>Major participants</i></b>	Institutional participants such as RBI, financial institutions and finance companies	Financial institutions, banks, foreign investors, retail investors
<b><i>Instruments traded</i></b>	Short-term debt instruments such as commercial papers, treasury bills, certificate of deposits	Equity shares, preference shares, bonds, debentures
<b><i>Duration</i></b>	Money market instruments have a maturity period of a maximum of one year	Deals in long term and medium term securities with a maturity period of more than a year
<b><i>Safety</i></b>	Securities traded are safe as securities are traded for short duration and the issuers are financially sound	Securities traded are risky with respect to both return and principle repayment

**SECTION D**

**Answer 20**

Steps involved in the formulation of a plan:

- i. ***Setting goals and objectives:*** The first step in the planning process is to clearly define and state the objectives which are to be achieved. These objectives may be for the organisation as a whole or for the individual departments. The objectives which are set must be clear to each department, division and individual employees. They must give direction to actions.
- ii. ***Premises:*** Planning involves anticipation of the future. In this regard, various assumptions (premises) must be made. These premises form the basis of planning. It must be ensured that the premises are clear to all who are involved in planning.
- iii. ***Defining course of action:*** When the objectives are set, different alternative courses of action must be developed for their implementation. In this regard, an innovative and new route can also be identified. The alternative courses of action identified must also be discussed with the concerned personnel in the organisation.
- iv. ***Comparing courses of action:*** A thorough evaluation of the various alternative courses of action must be done. Each alternative must be evaluated in terms of its positive and negative aspects.
- v. ***Selecting a course of action:*** When the various alternatives are evaluated, a course of action which proves ideal in terms of feasibility and profitability must be selected. Sometimes, the judgement or intuition of the manager may also be used in selecting a plan.



- vi. **Implementation of plan:** When the objectives are set and the course of action is defined, it is necessary to implement the plan within a given time frame.
- vii. **Monitoring:** It is important to ensure that plans are implemented successfully and the goals are achieved.

**Answer 21**

- i. In the given situation, an informal communication channel should be used. Informal communication is one where information flows freely without following the official lines.
- ii. Various informal communication channels:
  - **Single strand:** The flow of information is in a sequence, i.e. information passes from one person to another and so on.
  - **Gossip network:** Each individual communicates with all others.
  - **Probability network:** Information flows randomly from one individual to another.
  - **Cluster network:** Individual shares information with only some selected persons whom he trusts.

(OR)

The major change which is required is to **move away from a complete formal organisational structure and allow a certain level of informal structure** in the organisation.

An informal structure would benefit the organisation in the following manner:

1. In an informal organisation, there is free flow of communication. So, information spreads faster.
2. An informal organisation promotes a feeling of belongingness and mutual trust among employees. This helps in improving the working efficiency and productivity.

An informal organisation supports the working of formal organisation, thereby helping in the fulfilment of organisational objectives in a better manner.

**Answer 22**

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. It can be said that 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, on the other hand, ensures that plans take the required course of action.



**SECTION E****Answer 23**

Principles of management refer to the guidelines for managerial behaviour in various situations and problems. The principles of management guide managers in decision making.

The following points describe the nature of principles of management:

- i. **Universally applicable:** The principles of management are universally applicable in the sense that they are applicable to all organisations irrespective of their nature and size. However, the extent of application may vary from one organisation to another.
- ii. **Broad guidelines:** The principles of management are broad guidelines for managerial behaviour and actions in various problems and situations. However, as real business situations are very complex, these principles do not provide straightforward solutions. In other words, the principles are just the guidelines for actions and decision making; the actual action decision making must be according to the situation.
- iii. **Formation:** The principles of management were formed by continuous observation and experimentation by managers in different situations.
- iv. **Flexibility:** The principles of management are flexible and can be moulded by managers according to the specific situation and circumstance.
- v. **Behavioural:** The principles of management are behavioural in the sense that they influence human behaviour and help in understanding the relationship between human resources and material resources in an organisation.
- vi. **Explains the cause and effect relationship:** The principles of management explain the effect of their application in different situations. In other words, they help in explaining what would be the effect of application of a principle in a particular situation. However, as the principles of management deal with human behaviour, the effect of their behaviour cannot be predicted accurately.
- vii. **Dependent on situation:** The application of principles of management depends on the particular situation. In other words, the principles must be moulded according to the needs of the specific situation.

**(OR)**

**i. Functional Foremanship**

A foreman refers to the one who is in charge of workers at the operational level. He forms the link between managers and workers. According to Taylor, it is necessary to improve the performance of the foreman to improve the overall performance in the factory. Taylor observed a few qualities which a good foreman must have such as intelligence, tact, judgement and knowledge. However, he observed that no single person can have all the qualities. So, he suggested that there must be eight persons who would accomplish the work of the foreman. This technique was named Functional Foremanship. Taylor suggested that the planning and production functions should be separated from each other, each

having a separate in-charge. Both production in-charge and planning in-charge in turn would have four personnel under them.

Four persons who work under the planning in-charge:

- a. Instruction Card Clerk: Providing instructions to workers
- b. Route Clerk: Determining the route to be followed in production
- c. Time and Cost Clerk: Preparing sheets about time and costs so as to minimise wastage
- d. Disciplinarian: To ensure that discipline is being maintained

Four persons who work under the production in-charge:

- a. Speed Boss: To ensure that the task is completed in the stipulated time
- b. Gang Boss: To ensure that various machines and tools are in place and ready for workers
- c. Repair Boss: To ensure that tools and machines are in the proper working condition
- d. Inspector: To ensure that the quality of work is up to the mark

## ii. Mental Revolution

Mental Revolution implies a change in the attitude of workers and managers so as to create a better working environment. While managers must share the benefits with workers, employees must work to the best of their capabilities and must willingly accept the changes which are required.

## Answer 24

Factors affecting the financing decisions of a firm:

- i. **Cost of funds:** Different sources of funds have different costs; those sources of funds are opted by the firm which are the cheapest.
- ii. **Risk:** The associated risk is analysed and those sources of funds are opted which have a lower risk.
- iii. **Floatation cost:** Sources of funds which have high floatation costs are less attractive to a firm.
- iv. **Cash flow position:** For a firm with high cash flow position, debt would be more viable.
- v. **Fixed operating costs:** Higher the fixed operating costs, lower would be preference for debt and *vice versa*.
- vi. **Considerations of control:** Firms which do not wish to dilute the control of management would opt for higher debt over equity.
- vii. **State of capital market:** In a state of rising stock market, there is higher investment in equity. On the other hand, in a state of depressed stock market, there is lower investment in equity.

**Answer 25**

Advertising would have the following advantages:

- i.** As an advertisement is a paid form of communication, the cost of the advertisement would be borne by the sponsors.
- ii.** Through advertisements, the firm would be able to reach the masses spread over a large geographical area.
- iii.** Advertisements help in creating confidence among customers regarding the product, thereby helping in attracting potential customers towards the product.
- iv.** Economical: As advertisements have a wide reach, the per unit cost is low. Accordingly, it proves to be an economical mode of promotion for firms.

Advertising would have the following limitations:

- i.** As advertising is impersonal, the impact/effectiveness of the advertisement cannot be analysed by the firm.
- ii.** An advertisement is the standard form of communication with the potential customer. It cannot be altered according to the needs of individual consumers.