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| **PB/BSAK/1220/A 04/01/2021** | | | |
| **PREBOARD EXAMINATION (2020-21)** | | | |
| **SUBJECT: BUSINESS STUDIES (ANSWER KEY)**  **GRADE: XII** | | MAX. MARKS:80TIME:3 HOUR | |
| ***General Instructions:***   * This question paper contains 34 questions. * Marks are indicated against each question. * Answer should be brief and to the point. * Answers to the questions carrying 3 marks may be from 50 to 75 worlds. * Answers to the questions carrying 4 marks may be about 150 worlds. * Answers to the questions carrying 6 marks may be about 200 worlds. * Attempt all parts of the questions together. | | | |
| 1. | 1. responsibility | |  |
| 2. | 1. technology | |  |
| 3 | c.Coordination facilitate specialization | |  |
| 4 | 1. Dynamic nature | |  |
| 5 | 1. art | |  |
| 6 | 1. Both (a) and (b) | |  |
| 7 | 1. Constitution of the country | |  |
| 8 | 1. **providing employment opportunities** | |  |
| 9 | 1. personal observation | |  |
| 10 | c.controlling improves employees motivation | |  |
| 11 | 1. difficulty in interdepartmental coordination   OR   1. People, work and resources. | |  |
| 12 | 1. (ii),(i),(iv),(iii)   OR  all of these | |  |
|  | **Read the following text and answer question No:13-16 based on the same:**  Manapuram Ltd is a large and creditworthy Company manufacturing steel for the Indian market. It now wants to cater to the Asian market 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. | |  |
| 13 | 1. Commercial Paper | |  |
| 14 | b.15days to one year | |  |
| 15 | 1. Capital Market | |  |
| 16 | 1. Capital structure | |  |
|  | **Read the following text and answer question No:17-20 based on the same:**  Rajkumar, a small shopkeeper in Bikaner, Rajasthan used to sell the famous ‘Raj Kachori’. It was a quick selling product for locals and foreign tourists. As the business expanded it took a new name ‘Raj ki Raj Kachori’ and registered the name with the concerned authorities. Gradually the brand offered a wide range of products to its customers like namkeen, sweets, bakery items etc. However, ‘Raj Kachori’ remained the most popular product of the brand creating maximum revenue. ‘Raj ki Raj Kachori’ offered its products at competitive prices even while offering customer services like gift packaging and free home delivery to become a household name. Now it has virtually become a synonym for ‘Raj Kachori’ in the market, so much so, that people ask for ‘Raj ki Raj Kachori’ instead of ‘Raj Kachori’. ‘Raj ki Raj Kachori’ has developed a strong distribution network in India and abroad by setting up retail outlets and reaching out to the customer through internet selling. Promotion of the brand had always been low profile, till the increase in competition pushed it to hire the services of a professional advertising agency, PANAMA PVT.LTD for promoting the product. On the advice of PANAMA PVT.LTD, ‘Raj ki Raj Kachori’ has also worked upon managing public opinion by developing relations with the masses through sponsoring cultural and sporting events, maintenance of public parks etc. | |  |
| 17 | b.Trade Mark | |  |
| 18 | a.Marketing methods used | |  |
| 19 | 1. Regarding the channels or using intermediaries | |  |
| 20 | d.Any of the above | |  |
| 21 | Top Management:  These top level managers are responsible for the welfare and survival of the organisation. They analyse the business environment and its implications for the survival of the firm. They formulate overall organisational goals and strategies for their achievement. They are responsible for all the activities of the business and for its impact on society. The job of the top manager is complex and stressful, demanding long hours and commitment to the organisation. | |  |
| 22 | Karthik is working as a supervisor in a company. Due to his hard work he is promoted to the post of production manager. Now the post of supervisor is vacant and one can be transferred or promoted to this post. Name the source of recruitment their company will use who fill up this post. State any two advantages of using this source recruitment. | | 3 |
|  | External Sources:   1. Fresh Talent 2. Wider Choice 3. Qualified Personnel 4. Competitive Spirit | |  |
| 23. | 1. Critical Point Control: It is neither economical nor easy to keep a check on each and every activity in an organisation. Control should, therefore, focus on key result areas (KRAs) which are critical to the success of an organisation. These KRAs are set as the critical points. If anything goes wrong at the critical points, the entire organisation suffers. For instance, in a manufacturing organisation, an increase of 5 per cent in the labour cost may be more troublesome than a 15 per cent increase in postal charges.  2. Management by Exception: Management by exception, which is often referred to as control by exception, is an important principle of management control based on the belief that an attempt to control everything results in controlling nothing. Thus, only significant deviations which go beyond the permissible limit should be brought to the notice of management. Thus, if the plans lay down 2 per cent increase in labour cost as an acceptable range of deviation in a manufacturing organisation, only increase in labour cost beyond 2 per cent should be brought to the notice of the management. However, in case of major deviation from the standard (say, 5 per cent), the matter has to receive immediate action of management on a priority basis.  OR  Importance of Controlling:   1. Accomplishing organisational goals: The controlling function measures progress towards the organisational goals and brings to light the deviations, if any, and indicates corrective action. It, thus, guides the organisation and keeps it on the right track so that organisational goals might be achieved. 2. Jdging accuracy of standards: A good control system enables management to verify whether the standards set are accurate and objective. An efficient control system keeps a careful check on the changes taking place in the organisation and in the environment and helps to review and revise the standards in light of such changes. 3. Making efficient use o f resources: By exercising control, a manager seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with predetermined standards and norms. This ensures that resources are used in the most effective and efficient manner. 4. Improving employee motivation: A good control system ensures that employees know well in advance what they are expected to do and what are the standards of performance on the basis of which they will be appraised. It, thus, motivates them and helps them to give better performance. (v) Ensuring order and discipline: Controlling creates an atmosphere of order and discipline in the organisation. It helps to minimise dishonest behaviour on the part of the employees by keeping a close check on their activities. The box explains how an importexport company was able to track dishonest employees by using computer monitoring as a part of their control system. 5. Facilitating coordination in action: Controlling provides direction to all activities and efforts for achieving organisational goals. Each department and employee is governed by predetermined standards which are well coordinated with one another. This ensures that overall organisational objectives are accomplished. | |  |
| 24. | The two functions performed by SEBI in the given case are 'Regulatory Functions' and 'Protective Functions'. The lines from the paragraph which indicate the functions performed are as follows' Regulatory Functions: 'Regular inspection and by conducting enquiries of the brokers involved' Protective Functions: 'Imposed a heavy penalty on Mr. Sunil Naidu.  OR   1. Commercial Paper 2. Any two Money market instruments: 3. Treasury Bill: A Treasury bill is basically an instrument of short-term borrowing by the Government of India maturing in less than one year. They are also known as Zero Coupon Bonds issued by the Reserve Bank of India on behalf of the Central Government to meet its short-term requirement of funds. Treasury bills are issued in the form of a promissory note. They are highly liquid and have assured yield and negligible risk of default. They are issued at a price which is lower than their face value and repaid at par. The difference between the price at which the treasury bills are issued and their redemption value is the interest receivable on them and is called discount. Treasury bills are available for a minimum amount of Rs 25,000 and in multiples thereof. 4. Call Money: Call money is short term finance repayable on demand, with a maturity period of one day to fifteen days, used for inter-bank transactions. Commercial banks have to maintain a minimum cash balance known as cash reserve ratio. The Reserve Bank of India changes the cash reserve ratio from time to time which in turn affects the amount of funds available to be given as loans by commercial banks. Call money is a method by which banks borrow from each other to be able to maintain the cash reserve ratio. The interest rate paid on call money loans is known as the call rate. It is a highly volatile rate that varies from day-to-day and sometimes even from hour-to-hour. There is an inverse relationship between call rates and other short-term money market instruments such as certificates of deposit and commercial paper. A rise in call money rates makes other sources of finance such as commercial paper and certificates of deposit cheaper in comparison for banks raise funds from these sources. 5. Certificate of Deposit: Certificates of deposit (CD) are unsecured, negotiable, short-term instruments in bearer form, issued by commercial banks and development financial institutions. They can be issued to individuals, corporations and companies during periods of tight liquidity when the deposit growth of banks is slow but the demand for credit is high. They help to mobilise a large amount of money for short periods. 6. Commercial Bill: A commercial bill is a bill of exchange used to finance the working capital requirements of business firms. It is a short-term, negotiable, self-liquidating instrument which is used to finance the credit sales of firms. When goods are sold on credit, the buyer becomes liable to make payment on a specific date in future. The seller could wait till the specified date or make use of a bill of exchange. The seller (drawer) of the goods draws the bill and the buyer (drawee) accepts it. On being accepted, the bill becomes a marketable instrument and is called a trade bill. These bills can be discounted with a bank if the seller needs funds before the bill matures. When a trade bill is accepted by a commercial bank it is known as a commercial bill. | |  |
| 25 | Mr. Sai Gopal personal manager of ‘Milind Kidswear limited’ is busy in making some appointments for different departments of his company. By now he has completed the first 2 steps of the staffing process. The third step is underway. Name of this step is selection. He is currently engaged in employment interview. He has already interviewed applicants as is now directing them to the concerned Departmental managers for another interview. The objective behind directing them to Departmental managers is that they too satisfy themselves by conversing face to face with the applicants.   1. Identify and explain the first 2 steps of staffing processes that have since been completed. 2. Third step of selection is under completion name and explain the existing and the next 2 steps | | 4 |
|  | 1. Estimating the manpower requirement and Recruitment (2 mark) 2. Reference and background check   Selection decision (2 mark) | |  |
| 26 | 1. Employee participation: It means involving employees in decision making of the issues related to them. In many companies, these programmes are in practice in the form of joint management committees, work committees, canteen committees etc., 2. Employee Empowerment: Empowerment means giving more autonomy and powers to subordinates. Empowerment makes people feel that their jobs are important. This feeling contributes positively to the use of skills and talents in the job performance. 3. Employee Recognition programmes: Most people have a need for evaluation of their work and due recognition. They feel that what they do should be recognised by others concerned. Recognition means acknowledgment with a show of appreciation. When such appreciation is given to the work performed by employees, they feel motivated to perform/work at higher level. Job security 4. Employees want their job to be secure. They want certain stability about future income and work so that they do not feel worried on these aspects and work with greater zeal. In India, this aspect is more important considering the inadequate job opportunities and too many aspirants for these. However, there is one negative aspect of job security. When people feel that they are not likely to lose their jobs, they may become complacent. | |  |
| 27 | Delegation:   1. Effective management: By empowering the employees, the managers are able to function more efficiently as they get more time to concentrate on important matters. Freedom from doing routine work provides them with opportunities to excel in new areas. 2. Employee development: As a result of delegation, employees get more opportunities to utilise their talent and this may give rise to latent abilities in them. It allows them to develop those skills which will enable them to perform complex tasks and assume those responsibilities which will improve their career prospects. It makes them better leaders and decision makers. Thus, delegation helps by preparing better future managers. Delegation empowers the employees by providing them with the chance to use their skills, gain experience and develop themselves for higher positions. 3. Mot ivat ion of emp loyees : Delegation helps in developing the talents of the employees. It also has psychological benefits. When a superior entrusts a subordinate with a task, it is not merely the sharing of work but involves trust on the superior’s part and commitment on the part of the subordinate. Responsibility for work builds the self-esteem of an employee and improves his confidence. He feels encouraged and tries to improve his performance further. 4. Facilitation of growth: Delegation helps in the expansion of an organisation by providing a ready workforce to take up leading positions in new ventures. Trained and experienced employees are able to play significant roles in the launch of new projects by replicating the work ethos they have absorbed from existing units, in the newly set up branches. 5. Basis of management hierarchy: Delegation of authority establishes superior-subordinate relationships, which are the basis of hierarchy of management. It is the degree and flow of authority which determines who has to report to whom. The extent of delegated authority also decides the power that each job position enjoys in the organisation. 6. Better coordination: The elements of delegation, namely authority, responsibility and accountability help to define the powers, duties and answerability related to the various positions in an organisation. This helps to avoid overlapping of duties and duplication of effort as it gives a clear picture of the work being done at various levels. Such clarity in reporting relationships help in developing and maintaining effective coordination amongst the departments, levels and functions of management   **OR**   1. Divisional Organization Structure (1 mark) 2. Plastic division : Autocratic leadership style (1 mark)   Steel Division – Democratic leadership style(1 mark)   1. Plastic division – Salary and allowance (0.5 mark)   Steel Division- Career Advancement opportunity (0.5 mark) | |  |
| 28 | This decision is about the quantum of finance to be raised from various long-term sources.  Factors Affecting Financing Decisions The financing decisions are affected by various factors. Important among them are as follows:  (a) Cost: The cost of raising funds through different sources are different. A prudent financial manager would normally opt for a source which is the cheapest.  (b) Risk: The risk associated with each of the sources is different.  (c) Floatation Costs: Higher the floatation cost, less attractive the source.  (d) Cash Flow Position of the Company: A stronger cash flow position may make debt financing more viable than funding through equity.  (e) Fixed Operating Costs: If a business has high fixed operating costs (e.g., building rent, Insurance premium, Salaries, etc.), It must reduce fixed financing costs. Hence, lower debt financing is better. Similarly, if fixed operating cost is less, more of debt financing may be preferred.  (f) Control Considerations: Issues of more equity may lead to dilution of management’s control over the business. Debt financing has no such implication. Companies afraid of a takeover bid would prefer debt to equity.  (g) State of Capital Market: Health of the capital market may also affect the choice of source of fund. During the period when stock market is rising, more people invest in equity. However, depressed capital market may make issue of equity shares difficult for any company  **OR**   1. Stability Earnings: Other things remaining the same, a company having stable earning is in a better position to declare higher dividends. As against this, a company having unstable earnings is likely to pay smaller dividend. 2. Growth Opportunities: Companies having good growth opportunities retain more money out of their earnings so as to finance the required investment. The dividend in growth companies is, therefore, smaller, than that in the non– growth companies 3. Cash Flow Position: The payment of dividend involves an outflow of cash. A company may be earning profit but may be short on cash. Availability of enough cash in the company is necessary for declaration of dividend. 4. Taxation Policy: The choice between the payment of dividend and retaining the earnings is, to some extent, affected by the difference in the tax treatment of dividends and capital gains. If tax on dividend is higher, it is better to pay less by way of dividends. As compared to this, higher dividends may be declared if tax rates are relatively lower. Though the dividends are free of tax in the hands of shareholders, a dividend distribution tax is levied on companies. Thus, under the present tax policy, shareholders are likely to prefer higher dividends. | |  |
| 29 | 1. Financial Planning 2. (i) It helps in forecasting what may happen in future under different business situations.   (ii) It helps in avoiding business shocks and surprises and helps the company in preparing for the future. (iii) If helps in co-ordinating various business functions, e.g., sales and production functions, by providing clear policies and procedures. (iv) Detailed plans of action prepared under financial planning reduce waste, duplication of efforts, and gaps in planning. (v) It tries to link the present with the future. (vi) It provides a link between investment and financing decisions on a continuous basis. (vii) By spelling out detailed objectives for various business segments, it makes the evaluation of actual performance easier. | |  |
| 30 | 1. No Mahesh was not a responsible consumer. **(1 mark)**   Lines – “In order to avoid the payment of taxes he did not take a cash memo from the dealer.”   1. District Forum **(1 mark)** 2. (i) To remove the defect in goods or deficiency in service.   (ii) To replace the defective product with a new one, free from any defect.  (iii) To refund the price paid for the product, or the charges paid for the service.  (iv) To pay a reasonable amount of compensation for any loss or injury suffered by the consumer due to the negligence of the opposite party.  (v)To pay punitive damages in appropriate circumstances.  (vi)To discontinue the unfair/ restrictive trade practice and not to repeat it in the future.  (vii) Not to offer hazardous goods for sale.  (viii) To withdraw the hazardous goods from sale.  (ix) To cease manufacture of hazardous goods and to desist from offering hazardous services.  (x) To pay any amount (not less than 5% of the value of the defective goods or deficient services provided), to be credited to the Consumer Welfare Fund or any other organisation/person, to be utilised in the prescribed manner.  (xi) To issue corrective advertisement to neutralise the effect of a misleading advertisement.  (xii) To pay adequate costs to the appropriate party.  **(4points \* 0.5 marks = 2)** | |  |
| 31 | The Principles and Techniques of Scientific Management used by 'Burger Mania' are:   1. Standardisation of work - Standardisation of work implies setting milestones or benchmarks for any work or activity. It aims at establishing standards of excellence against which actual performance can be measured.   Line: To begin with, he wanted to develop a standard method which would be followed throughout the organisation. So, he investigated traditional methods through work study and unified the best practices.   1. Method study: Method Study focuses on finding out the best possible method for completing a task. It takes into account every activity involved in the task with a view to reducing the costs and maximising customer satisfaction.   Line: For this, he set up a Special Training Unit called 'Hamburger' in Bengaluru where the workers were given the required training to learn the best method.   1. Science, Not Rule of Thumb -Instead of rule-of-thumb methods, scientific management practices should be followed. Under rule-of-thumb, a manager uses the trial-and-error method to find solutions to a problem. Instead, Taylor suggested that a study of traditional methods should be made and the best method/solution among them adopted by all managers.   Line: Vishesh also believed that each person should not only be scientifically selected but should also be given the required training to increase efficiency.   1. Motion Study- Motion study refers to the study of motion (or movements) of a worker involved in a given task. The study aims at identifying the unwanted actions or motions and eliminating them so that the work can be completed in less time.   Line: 'At the factory, the ingredients making up a burger were strategically placed to reduce the time taken for excess movements'.   1. Differential Piece Wage System- Under this technique, wages are decided according to a set standard. The workers who perform better than the set standards get higher wages than the workers who perform below the standards. Taylor introduced this system to differentiate efficient workers from inefficient ones and reward them accordingly.   Line: Vishesh rewarded the workers for meeting the standard output.   1. Time Study- Time study emphasises setting a standard time limit for completing a particular job. The time taken for completing the job is measured for setting the standard time limit. This helps decide the number of workers to be employed for a particular task, determine their wages, etc.   Line: The standard time and other parameters were determined on the basis of work study | |  |
| 32 | 1. Planning   Characteristics of planning (i) Planning focuses on achieving objectives. (ii) Planning is a primary function of management (iii) Planning is pervasive (iv) Planning is continuous (v) Planning is futuristic (vi) Planning involves decision making. (vii) Planning is a mental exercise.   1. i) Planning leads to rigidity (ii) Planning may not work in a dynamic environment (iii) Planning reduces creativity (iv) Planning involves huge cost (v) Planning is a time consuming process.   OR   1. “Taking it for granted ……. doubled the target from the previous year.” - In these lines two stages of planning process have been mentioned : developing premises, setting objectives 2. all the departmental managers ………to achieve this target - implementing plans 3. after some time …….the planning for improvement in it - follow up | |  |
| 33 | a).The Organizing function of management is being performed by Ishita. (Explain) 2marks  b).The steps involved in the process of organizing are as follows:  \*\*Identification and Division of Work.........  \*\*Departmentalization......  \*\*Assignment of Duties.....  \*\*Establishing Reporting Relationship..... | |  |
| 34 | Factors Affecting Price Determination:   1. **Product Cost:** One of the most important factor affecting price of a product or service is its cost. This includes the cost of producing, distributing and selling the product. The cost sets the minimum level or the floor price at which the product may be sold. Generally all marketing firms strive to cover all their costs, at least in the long run. In addition, they aim at earning a margin of profit over and above the costs. In certain circumstance, for example, at the time of introducing a new product or while entering a new market, the products may be sold at a price, which does not cover all the costs. But in the long run, a firm cannot survive unless at least all its costs are covered. There are broadly three types of costs: viz., Fixed Costs, Variable Costs and Semi Variable Costs. Fixed costs are those costs, which do not vary with the level of activity of a firm say with the volume of production or sale. For example, rent of a building or salary of a sales manager remains the same whether 1000 units or 10 units are produced in a week. Those costs which vary in direct proportion with the level of activity are called variable costs. For example, the costs of raw material, labour and power are directly related with the quantity of goods produced. Let us say, if the cost of wood for manufacturing one chair comes to Rs.100 the cost of wood for 10 chairs would be Rs. 1000. Obviously, there will be no cost of wood if no chair is produced. Semi variable costs are those costs which vary with the level of activity but not in direct proportion with it. For example, compensation of a sales person may include a fixed salary of say Rs. 10,000 plus a commission of 5 per cent on sales. With an increase in the volume of sales, the total compensation will increase but not in direct proportion with the change in the volume of sale. Total Costs are the sum total of the fixed, variable and semi-variable costs for the specific level of activity, say volume of sales or quantity produced. 2. **The Utility and Demand:** While the product costs set the lower limits of the price, the utility provided by the product and the intensity of demand of the buyer sets the upper limit of price, which a buyer would be prepared to pay. In fact the price must reflect the interest of both the parties to the transaction—the buyer and the seller. The buyer may be ready to pay up to the point where the utility from the product is at least equal to the sacrifice made in terms of the price paid. The seller would, however, try to at least cover the costs. According to the law of demand, consumers usually purchase more units at a low price than at a high price. The price of a product is affected by the elasticity of demand of the product. The demand is said to be elastic if a relatively small change in price results in large change in the quantity demanded. Here numerically, the price elasticity is greater than one. In the case of inelastic demand, the total revenue increases when the price is increased and goes down when the price is reduced. If the demand of a product is inelastic, the firm is in a better position to fix higher prices. 3. **Extent of Competition in the Market:** Between the lower limit and the upper limit where would the price settle down? This is affected by the nature and the degree of competition. The price will tend to reach the upper limit in case there is lesser degree of competition while under conditions of free competition, the price will tend to be set at the lowest level. Competitors’ prices and their anticipated reactions must be considered before fixing the price of a product. Not only the price but the quality and the features of the competitive products must be examined carefully, before fixing the price. 4. **Government and Legal Regulations**: In order to protect the interest of public against unfair practices in the field of price fixing, Government can intervene and regulate the price of commodities. Government can declare a product as essential product and regulate its price. For example, the cost of a drug manufactured by a company having monopoly in the production of the same come to Rs 20 per strip of ten and the buyer is prepared to pay any amount for it, say Rs 200. In the absence of any competitor, the seller may be tempted to extort the maximum amountof Rs 200 for the drug and intervene to regulate the price. Usually in such a case, the Government does not allow the firms to charge such a high price and intervene to regulate the price of the drug. This can be done by the Government by declaring the drug as essential commodity and regulating its price. (see box) 5. **Pricing Objectives**: Pricing objectives are another important factor affecting the fixation of the price of a product or a service. Generally the objective is stated to be maximise the profits. But there is a difference in maximising profit in the short run and in the long run. If the firm decides to maximise profits in the short run, it would tend to charge maximum price for its products. But if it is to maximise its total profit in the long run, it would opt for a lower per unit price so that it can capture larger share of the market and earn greater profits through increased sales. Apart from profit maximisation, the pricing objectives of a firm may include: (a) Obtaining Market Share Leadership: If a firms objective is to obtain larger share of the market; it will keep the price of its products at lower levels so that greater number of people are attracted to purchase the products; (b) Surviving in a Competitive Market: If a firm is facing difficulties in surviving in the market because of intense competition or introduction of a more efficient substitute by a competitor, it may resort to discounting its products or running a promotion campaign to liquidate its stock; and (c) Attaining Product Quality Leadership: In this case, normally higher prices are charged to cover high quality and high cost of Research and Development. Thus, the price of a firm’s products and services is affected by the pricing objective of the firm. 6. **Marketing Methods Used:** Price fixation process is also affected by other elements of marketing such as distribution system, quality of salesmen employed, quality and amount of advertising, sales promotion efforts, the type of packaging, product differentiation, credit facility and customer services provided. For example, if a company provides free home delivery, it has some of flexibility in fixing prices. Similarly, uniqueness of any of the elements mentioned above gives the company a competitive freedom in fixing prices of its products.   **OR** | |  |