

## **MARKING SCHEME**

### **BUSINESS STUDIES**

**2022-23**

	<b>Answers</b>	<b>Marks</b>
1	b) Departmentalization	1
2	a) Uncertainty	1
3	d) Heads do not get training for top management positions.	1
4	a) Technological and Social	1
5	b) Management creates a dynamic organization	1
6	a) Internet connectivity is a prerequisite	1
7	c) It helps in tapping useful resources	1
8	b) Social	1
9	c) It is both forward looking and backward looking	1
10	c) Controlling	1
11	a) Organization structure	1
12	d) Both the statements are false	1

13	(a) (ii), (iii), (i)	1
14	b) Unique order code	1
15	d) physical distribution	1
16	( C )Securities Exchange Board of India performs the regulatory function of controlling insider trading and imposing penalties for such practices.	1
17	d ).Societal Marketing concept	1
18	(a) Utility and demand of the product	1
19	a) It is a personal form of communication	1
20	d). (ii);(iii),(iv);(i)	1
21	Coordination The process by which a manager synchronizes the activities of different departments is known as coordination. Coordination is the force that binds all the other functions of management. It is the common thread that runs through all activities. It is implicit and inherent in all functions of an organization.	1 (1X2)
22	Merits of external sources: (Any three) <ol style="list-style-type: none"><li>1. Qualified personnel: By using external sources of recruitment, the management can attract qualified and trained people to apply for vacant jobs in the organization.</li><li>2. Wider choice: When vacancies are advertised wisely, a large number of applicants from outside the organization can apply. The management has a wider choice while selecting the people for employment.</li><li>3. Fresh Talent: The present employees may be insufficient or they may not fulfill the specifications of the jobs to be filled. External recruitment provides wider choice and brings new blood in the organization.</li><li>4. Competitive spirit: If a company taps external sources, the existing sources, the existing staff will have to compete with the outsiders. They will work harder to show better performance.</li></ol>	(1X3=3)  $\frac{1}{2}$ mark for the heading and $\frac{1}{2}$ for the explanation
23	Critical point control: It is neither economical nor easy to keep a check on each and every activity in an organization. Control should therefore focus on key result areas which are critical to the success of an organization.	(2+1 = 3)

	<p>These KRAs are set as the critical points. If anything goes wrong at the critical points, the entire organization suffers.</p> <p>For instance, in a manufacturing organization, an increase of 5% in the labour cost may be more troublesome than a 15% increase in postal charges.</p> <p style="text-align: center;">OR</p> <p><b>Management by Exception:</b> 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.</p> <p>Thus, only significant deviations which go beyond the permissible limit should be brought to the notice of the management.</p> <p>For instance, if the plans lay down 2% increase in labour cost as an acceptable range of deviation in a manufacturing organization, only an increase in labour cost beyond 2% should be brought to the notice of the management. However, in case of major deviation from the standard (say, 5%), the matter has to receive immediate action of management on a priority basis.</p>	(2+1=3)
24	<p>Following are the objectives of SEBI : ( any three)</p> <ol style="list-style-type: none"> <li>1. To regulate stock exchanges and the securities industry to promote their orderly functioning</li> <li>2. To protect the rights and interests of investors, particularly individual investors and to guide and educate them.</li> <li>3. To prevent trading malpractices and achieve a balance between self-regulation by the securities industry and its statutory regulation.</li> <li>4. To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers etc., with a view to making them competitive and professional.</li> </ol> <p style="text-align: center;">OR</p> <p>Following are the functions of stock exchange: (any three)</p> <p>(i) Providing liquidity and marketability to existing securities.</p> <p>(ii) Pricing of securities on the stock exchange is determined by the forces of demand and supply.</p> <p>(iii) Safety of transaction is ensured as membership of a stock exchange is well regulated and its dealings are well defined.</p> <p>(iv) Contributes to economic growth through the process of disinvestment and reinvestment.</p> <p>(v) Spreading of equity cult by ensuring wider ownership by way of regulating new issues.</p> <p>(vi) Providing scope for speculation by ensuring speculative activity within the</p>	(1x3) 1 mark for each correct statement.  (1x3) 1 mark for each correct statement.

	provisions of law for it to take place in a restricted and controlled manner.	
25	<p>The benefits of training to an organization are as follows:(any four)</p> <p>(i) Training is a systematic learning, Always better than hit and trial methods which lead to wastage of efforts and money?</p> <p>(ii) It enhances employee productivity both in terms of quantity and quality, leading to higher profits.</p> <p>(iii) Training equips the future manager who can take over in case of emergency.</p> <p>(iv) Training increases employee morale and reduces absenteeism and employee turnover.</p> <p>(v) It helps in obtaining an effective response to a fast changing environment – technological and economic.</p> <p style="text-align: center;">OR</p> <p>Selection test</p> <p>Types of tests are: ( any three)</p> <ul style="list-style-type: none"> <li>a. Intelligence test is one of the important psychological tests used to measure the level of intelligence quotient of an individual and is an indicator of a person's ability or the ability to make decisions and judgments.</li> <li>b. Aptitude test is a measure of an individual's potential for learning new skills and indicates the person's capacity to develop.</li> <li>c. Personality tests provide clues to a person's emotions, her reactions, maturity, and value system and probe the overall personality.</li> <li>d. Trade tests measure the existing skills of the individual, level of knowledge and proficiency in the area of professions or technical training.</li> <li>e. Interest tests are used to know the pattern of interests or involvement of a person.</li> </ul>	(1X4=4)  1  (1X3=3)
26	<p>Semantic barriers (Any four):</p> <ol style="list-style-type: none"> <li>1. Sometimes intended meaning may not be conveyed by a manager to his subordinates due to badly expressed messages which may be on account of inadequate vocabulary, usage of wrong words, omission of needed words, etc.</li> <li>2. A word may have different meanings and the receiver has to perceive one such meaning for the word used by the communicator.</li> <li>3. If the translator is not proficient with both the languages, mistakes may creep in causing different meanings to communication.</li> <li>4. Some communications may have certain assumptions which are subject to different interpretations.</li> <li>5. It is usually found that specialists use technical jargon while explaining to persons who are not specialists in the concerned field and therefore they may not understand the actual meaning of many words.</li> </ol>	(1x4=4)  1 mark for each correct statement

	<p>6. If there is no match between what is said and what is expressed in body movements, communications may be wrongly perceived.</p> <p style="text-align: center;">OR</p> <p>Organizational barriers (Any four):</p> <ol style="list-style-type: none"> <li>1. If organizational policy either explicit or implicit is not supportive to free flow of communication it may hamper effectiveness of communications.</li> <li>2. Rigid rules and regulations, cumbersome procedures may be a hurdle to communication, as communications through prescribed channels may result in delays.</li> <li>3. Status of superior may create psychological distance between him and his subordinates.</li> <li>4. Complexity in the organization caused by the number of managerial levels may delay and distort the communication as the number of filtering points is more.</li> <li>5. If facilities like frequent meetings, suggestion box, and complaint box, social and cultural gathering, transparency in operations, etc, for smooth, clear and timely communications are not provided, communications may be hampered.</li> </ol>	<p>(1X4=4)</p> <p>1 mark for each correct statement</p>
27	<p>Incentives being given by the organization to the employees are:</p> <ol style="list-style-type: none"> <li>1. Job enrichment: Job enrichment is concerned with designing jobs that include greater variety of work content, require higher level of knowledge and skill; give workers more autonomy and responsibility; and provide opportunity for personal growth and a meaningful work experience.</li> <li>2. Job security: Employees want their jobs to be secure. They want certain stability about future income and work so that they do not feel worried about these aspects and work with greater zeal.</li> <li>3. Perquisites: In many companies perquisites and fringe benefits are offered such as car allowance, housing, medical aid and education to the children, etc., over and above the salary.</li> <li>4. Co-partnership/stock option: Under these incentive schemes, employees are offered company shares at a set price which is lower than market price. Sometimes, management may allot shares in line of various incentives payable in cash.</li> </ol>	<p>(1X4=4)</p> <p>½ mark for the heading and ½ mark for the explanation</p>
28	<p>Following are the factors affecting capital structure of a company : (Any four)</p> <ol style="list-style-type: none"> <li>1. Size of the projected Cash flows must be considered before borrowing.</li> <li>2. Interest Coverage Ratio refers to the number of times earnings before interest and taxes of a company covers the interest obligation.</li> <li>3. Debt Service Coverage Ratio takes care of the deficiencies referred to</li> </ol>	<p>(1X4=4)</p> <p>1 mark for each correct statement</p>

- in the interest coverage ratio.
4. More debt can be used if debt can be raised at a lower rate
  5. A higher Tax Rate makes debt relatively cheaper and increases its attraction vis-a-vis equity.
  6. Process of raising resources also involves some cost which may affect the choice between debt and equity and hence capital structure.
  7. If a firm's business risk is lower, its capacity to use debt is higher and vice versa.
  8. To maintain flexibility the firm must maintain some borrowing power to take care of unforeseen circumstances.
  9. Capital Structure of other companies is a useful guideline in the capital structure planning.
  10. Stock Market Conditions often affect the choice between debt and equity.
  11. Every company operates within a regulatory framework provided by the law.
  12. Control as a factor also influences the choice between debt and equity especially in companies in which the current holding of management is on a lower side.
  13. If the ROI of the company is higher, it can choose to use trading on equity to increase its EPS.
  14. When a company increases debt, the financial risk faced by the equity shareholders increases consequently their desired rate of return may increase.

OR

Factors affecting financing decision: (Any four)

1. A prudent financial manager would normally opt for a source which is the cheapest.
2. The risk associated with each of the sources is different.
3. Higher the floatation cost, less attractive the source.
4. A stronger cash flow position may make debt financing more viable than funding through equity.
5. If a business has high fixed operating costs, it must reduce fixed financing costs.
6. Issues of more equity may lead to dilution of management's control over the business.
7. Health of the capital market may also affect the choice of source of funds.

29

Earnings per share = ₹ 35

EPS = Earning after tax / No.of equity shares

35= Earning after tax / 70,000

3

	<p>Earning after tax = ₹ 24,50,000</p> <p>Interest= <math>50,00,000 \times 7/100 = ₹. 3,50,000</math></p> <p>Let the Earning before tax (EBT) = x</p> <p>EBT- Tax= EAT</p> <p><math>X - 0.30x = 24,50,000</math></p> <p><math>0.70x = 24,50,000</math></p> <p><math>x = 24,50,000 / 0.70</math></p> <p><math>x = 35,00,000</math></p> <p>Earning before tax = ₹. 35,00,000</p> <p>EBIT = Earning before tax + Interest  <math>= 35,00,000 + 3,50,000</math>  <math>= ₹. 38,50,000</math></p> <p>ROI= <math>EBIT/\text{total Investment} \times 100 = 38,50,000 / 1,20,00,000 \times 100 = 32.08\%</math></p> <p>As ROI (32.08%) &gt; Rate of interest (7%). The company can choose to use trading on equity to increase its EPS. The finance manager was justified in making this recommendation.</p>	1
30	<p>A consumer should keep in mind the following responsibilities while purchasing, using and consuming goods and services (Any four)—</p> <ul style="list-style-type: none"> <li>(i) Be aware about various goods and services available in the market so that an intelligent and wise choice can be made.</li> <li>(ii) Buy only standardized goods as they provide quality assurance. Thus, look for ISI mark on electrical goods, FPO mark on food products, Hallmark on jewelry, etc.</li> <li>(iii) Learn about the risks associated with products and services, follow manufacturer's instructions and use the products safely.</li> <li>(iv) Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc.</li> <li>(v) Assert yourself to ensure that you get a fair deal.</li> <li>(vi) Be honest in your dealings. Choose only from legal goods and services and discourage unscrupulous practices like black-marketing, hoarding, etc.</li> <li>(viii) File a complaint in an appropriate consumer forum in case of a shortcoming in the quality of goods purchased or services availed. Do not fail to take an action even when the amount involved is small.</li> <li>(ix) Form consumer societies which would play an active part in educating consumers and safeguarding their interests.</li> <li>(x) Respect the environment. Avoid waste, littering and contributing to pollution.</li> </ul>	(1x4=4)

<p>31 Techniques of Scientific Management given by F.W.Taylor:</p> <p><b>Method Study</b></p> <p>The objective of method study is to find out one best way of doing the job. There are various methods of doing the job. To determine the best way there are several parameters. Right from procurement of raw materials till the final product is delivered to the customer every activity is part of method study. Taylor devised the concept of assembly line by using method study. Ford Motor Company used this concept very successfully. Even now auto companies are using it.</p> <p>The objective of the whole exercise is to minimize the cost of production and maximize the quality and satisfaction of the customer. For this purpose many techniques like process charts and operations research etc. are used.</p> <p>For designing a car, the assembly line production would entail deciding the sequence of operations, place for men, machines and raw materials etc. All this is part of method study.</p> <p>(b) Functional foremanship is an extension of the principle of division of work and specialization to the shop floor. Each worker will have to take orders from these eight foremen in the related process or function of production. Foremen should have intelligence, education, tact, grit, judgment, special knowledge, manual dexterity, and energy, honesty and good health. Since all these qualities could not be found in a single person, Taylor proposed eight specialists. Each specialist is to be assigned work according to her/his qualities. For example, those with technical mastery, intelligence and grit may be given planning work. Those with energy and good health may be assigned execution work</p> <p>(c) Standardization refers to the process of setting standards for every business activity; it can be standardization of process, raw material, time, product, machinery, methods or working conditions. These standards are the benchmarks, which must be adhered to during production. The Objective Of</p> <ul style="list-style-type: none"> <li>(i) To reduce a given line or product to fixed types, sizes and characteristics.</li> <li>(ii) To establish interchangeability of manufactured parts and products.</li> <li>(iii) To establish standards of excellence and quality in materials.</li> <li>(iv) To establish standards of performance of men and machines</li> </ul> <p>(d) Taylor was a strong advocate of a piece wage system. He wanted to differentiate between efficient and inefficient workers. The standard time and other parameters should be determined on the basis of the work- study discussed above. The workers can then be classified as efficient or inefficient on the basis of these standards. He wanted to reward efficient workers. So he introduced different rates of wage payment for those who performed above standard and for those who performed below standard.</p>	<p>(3X2=6)</p>
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**OR**

**Principles of Management given by Henry Fayol:**

(a) Unity of Command: According to Fayol there should be one and only one boss for every individual employee. If an employee gets orders from two superiors at the same time the principle of unity of command is violated. The principle of unity of command states that each participant in a formal organization should receive orders from and be responsible to only one superior. Fayol gave a lot of importance to this principle. He felt that if this principle is violated "authority is undermined; discipline is in jeopardy, order disturbed and stability threatened". The principle resembles military organization. Dual subordination should be avoided. This is to prevent confusion regarding tasks to be done. Suppose a sales person is asked to clinch a deal with a buyer and is allowed to give a 10% discount by the marketing manager. But the finance department tells her/ him not to offer more than a 5% discount. Now there is no unity of command. This can be avoided if there is coordination between various departments.

b) Equity: Good sense and experience are needed to ensure fairness to all employees, who should be treated as fairly as possible," according to Fayol. This principle emphasizes kindness and justice in the behavior of managers towards workers. This will ensure loyalty and devotion. Fayol does not rule out use of force sometimes. Rather he says that lazy personnel should be dealt with sternly to send the message that everyone is equal in the eyes of the management. There should be no discrimination against anyone on account of sex, religion, language, caste, belief or nationality etc. In practice we can observe that now a days in multinational corporations people of various nationalities work together in a discrimination free environment. Equal opportunities are available for everyone in such companies to rise.

(c) Remuneration of Employees: The overall pay and compensation should be fair to both employees and the organization. The employees should be paid fair wages, which should give them at least a reasonable standard of living. At the same time it should be within the paying capacity of the company. In other words, remuneration should be just and equitable. This will ensure a congenial atmosphere and good relations between workers and management. Consequently, the working of the company would be smooth.

(d) Initiative: Workers should be encouraged to develop and carry out their plans for improvements according to Fayol. Initiative means taking the first step with self-motivation. It is thinking out and executing the plan. It is one of the traits of an intelligent person. Initiative should be encouraged. But it does not mean going against the established practices of the company for the sake of being different. A good company should have an employee suggestion system whereby initiative/suggestions which result in substantial cost/time reduction should be

32	<p>Steps in the process of planning to be followed by a manager before performing the step of evaluation of alternatives:</p> <p>Setting Objectives: The first and foremost step is setting objectives. Every organization must have certain objectives. Objectives may be set for the entire organization and each department or unit within the organization. Objectives or goals specify what the organization wants to achieve. It could mean an increase in sales by 20% which could be the objective of the entire organization. How all departments would contribute to the organizational goals is the plan that is to be drawn up. Objectives should be stated clearly for all departments, units and employees. They give direction to all departments. Departments/ units then need to set their own objectives within the broad framework of the organization's philosophy. Objectives have to percolate down to each unit and employees at all levels. At the same time, managers must contribute ideas and participate in the objective setting process. They must also understand how their actions contribute to achieving objectives. If the end result is clear it becomes easier to work towards the goal.</p> <p>(ii) Developing Premises: Planning is concerned with the future which is uncertain and every planner is using conjecture about what might happen in future. Therefore, the manager is required to make certain assumptions about the future. These assumptions are called premises. Assumptions are the base material upon which plans are to be drawn. The base material may be in the form of forecasts, existing plans or any past information about policies. The premises or assumptions must be the same for all and there should be total agreement on them. All managers involved in planning should be familiar with and use the same assumptions. For example, forecasting is important in developing premises as it is a technique of gathering information. Forecasts can be made about the demand for a particular product, policy change, interest rates, prices of capital goods, tax rates etc. Accurate forecasts therefore become essential for successful plans.</p> <p>(iii) Identifying alternative courses of action: Once objectives are set, assumptions are made. Then the next step would be to act upon them. There may be many ways to act and achieve objectives. All the alternative courses of action should be identified. The course of action which may be taken could be either routine or innovative. An innovative course may be adopted by involving more people and sharing their ideas. If the project is important, then more alternatives should be generated and thoroughly discussed amongst the members of the organization.</p> <p style="text-align: center;">OR</p> <p>The next three steps are :</p> <p>i) Identifying alternative courses of action: Once objectives are set, assumptions are made. Then the next step would be to act upon them. There</p>	<p>(2X3=6)</p> <p><math>\frac{1}{2}</math> mark for heading and 1½ mark for the explanation</p> <p>(2X3=6)</p> <p><math>\frac{1}{2}</math> mark for heading and 1½ mark for the explanation</p>
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	<p>may be many ways to act and achieve objectives. All the alternative courses of action should be identified. The course of action which may be taken could be either routine or innovative. An innovative course may be adopted by involving more people and sharing their ideas. If the project is important, then more alternatives should be generated and thoroughly discussed amongst the members of the organization.</p> <p>ii) Evaluating alternative courses: The next step is to weigh the pros and cons of each alternative. Each course will have many variables which have to be weighed against each other. The positive and negative aspects of each proposal need to be evaluated in the light of the objective to be achieved. In financial plans, for example, the risk-return trade-off is very common. The more risky the investment, the higher the returns it is likely to give. To evaluate such proposals detailed calculations of earnings, earnings per share, interest, taxes, dividends are made and decisions taken. Accurate forecasts in conditions of certainty/uncertainty then become vital assumptions for these proposals. Alternatives are evaluated in the light of their feasibility and consequences.</p> <p>(iii) Selecting an alternative: This is the real point of decision making. The best plan has to be adopted and implemented. The ideal plan, of course, would be the most feasible, profitable and with least negative consequences. Most plans may not always be subjected to a mathematical analysis. In such cases, subjectivity and the manager's experience, judgment and at times, intuition play an important part in selecting the most viable alternative. Sometimes, a combination of plans may be selected instead of one best course. The manager will have to apply permutations and combinations and select the best possible course of action.</p>	
33	<p>Importance of Decentralization:</p> <ol style="list-style-type: none"> <li>1. "Response does not take time". Quick decision making- In a decentralized organization since decisions are taken at levels which are nearest to the point of action and there is no requirement for approvals from many levels, the process is much faster.</li> <li>2. "Who can get a chance to prove their abilities". Develops managerial talent for the future- Decentralization gives managers a chance to prove their abilities and creates a reservoir of qualified manpower that can be considered to fill up more challenging positions through promotion.</li> <li>3. "Identifying those executives who have the necessary potential to become dynamic leaders". Develops initiative among subordinates- Decentralization helps to promote self-reliance and confidence amongst the subordinates. It also keeps them in a state wherein they are constantly challenged and have to develop solutions for the various problems they encounter.</li> <li>4. "This makes it possible to evaluate performance at each level and each department can be individually held accountable for their results."</li> </ol>	(11/2X4=6)  (½ mark for quoting+½ mark for identification+½ mark for explaining)

	Better control- Feedback from levels helps to analyze variances and improve operations.	
34	<p>Functions of marketing, apart from the ones Choco Ltd is already performing: (Any four)</p> <ol style="list-style-type: none"> <li>1. Gathering and analyzing market information: This is necessary to identify the needs of the customers and make various decisions for the successful marketing of the products and services. This is important for making an analysis of the available opportunities and threats as well as strengths and weaknesses of the organization and help in deciding what opportunities can best be pursued by it.</li> <li>2. Product designing and development: The design of the product contributes to making the product attractive to the target customers. A good design can improve performance of a product and give it a competitive advantage in the market.</li> <li>3. Standardization: Standardization refers to producing goods of predetermined specifications which help in achieving uniformity and consistency in the output</li> <li>4. Packaging and labeling- Packaging refers to designing and developing the package for the products. Labeling refers to designing and developing the label to be put on the product.</li> <li>5. Transportation- Transportation involves physical movement of goods from one place to another. As generally the users of products particularly consumer products are wide spread and geographically separated from the place where they are produced.</li> <li>6. Storage and warehousing- In order to maintain smooth flow of products in the market, there is a need for proper storage of the products. Further there is need for storage of adequate stock of goods to protect against unavoidable delays in delivery or to meet out contingencies in the demand. Ram Kumar the CEO of Sabarmati Enterprises in a meeting with the middle management of the company advised that the personal goals of the people should be reconciled with the organizational objectives for harmony in the organization. Briefly explain the objective of management that he was referring to.</li> </ol>	(1½ X 4 =6)  (½ mark for heading and 1 mark for the explanation)