

Class: XII
SESSION : 2022-2023
SUBJECT: BUSINESS STUDIES
SAMPLE QUESTION PAPER - 1
with SOLUTION

MM – 80

TIME: 3 HOURS

General instructions :

- 1 This question paper contains 34 questions.
2. Marks are indicated against each question.
3. Answers should be brief and to the point.
4. Answers to the questions carrying 3 marks may be from 50 to 75 words.
5. Answers to the questions carrying 4 marks may be about 150 words.
6. Answers to the questions carrying 6 marks may be about 200 words.
7. Attempt all parts of the questions together.

1. **Buy appliances worth ₹ 15,000 and get a discount voucher of ₹ 3,000.** Which of the following sales promotion activity is being depicted here? [1]

a) Discount	b) Usable benefits
c) Quantity gift	d) Rebate
2. **Use of plastic polythene is abandoned by a company to package its product.** Which objective is being achieved in this statement? [1]

a) Social	b) Personal
c) Organisational	d) Economical
3. Which of the following is not correct? [1]

a) Planning reduces the profitability	b) Planning is futuristic
c) Planning is continuous process	d) Planning focuses on achieving objectives
4. Which of the following statements is true? [1]
 - i. Asserting oneself to ensure that one gets a fair deal is the right of a consumer.
 - ii. Right to seek redressal entitles the consumer to get relief in case the product or service falls short of his expectation.
 - iii. Right to be heard empowers a consumer to have access to a variety of products and services.
 - iv. A case decided by the District Commission, can be appealed before the Supreme Court.

a) Option (iv)	b) Option (iii)
c) Option (ii)	d) Option (i)
5. Which of the following will affect the financing decisions? [1]

- a) Cost and Risk
b) Flootation costs
c) Cash flow position
d) All of these
6. Controlling is _____. [1]
a) Neither forward nor backward-looking
b) Both forward and backward-looking
c) Backward-looking
d) Forward-looking
7. What type of process selection is? [1]
a) Quantitative
b) Positive
c) Qualitative
d) Negative
8. Net working capital may be defined as the: [1]
i. Excess of current assets over current liabilities
ii. Excess of current liabilities over current assets
iii. Both (i) and (ii)
iv. None of these
a) Option (i)
b) Option (iv)
c) Option (iii)
d) Option (ii)
9. Which of the following is an advantage of functional structure? [1]
a) Leads to occupational specialisation.
b) All of these
c) Helps in increasing managerial and operational efficiency.
d) Promotes control and coordination within a department.
10. _____ is a part of money market. [1]
a) Equity share
b) Preference share
c) Commercial Bill
d) Debentures
11. The foremost objective of financial management is: [1]
a) Profit maximisation
b) Maximisation of shareholders' wealth
c) Maintenance of liquidity
d) Maximisation of market share
12. Which is the major part of financial system? [1]
a) Financial institutions
b) All of these

c) Financial securities

d) Financial market

13. While **selecting an alternative** under the planning process, which of the following are considered? [1]

a) Combination of plans may be selected instead of one best course.

b) All of these

c) The most feasible, profitable plan with least negative consequences is chosen.

d) Subjectivity and manager's experience or judgment plays a role.

14. Which study of Taylor aims at eliminating unnecessary movements to ensure timely completion of work? [1]

a) Method study

b) Motion study

c) Fatigue study

d) Time study

15. Vikrant joins his father's business of Organic masalas, near Kotgarh in Himachal after completing his MBA. In order to capture a major share of the market, he decided to sell the product in small attractive packages by using the latest packaging technology. His father suggested that they hire financial consultants to estimate the amount of funds that would be required for the purpose and timings when it would be required. The concept being discussed by Vikrant's father, links which financial decision with the investment decision? [1]

a) Financing decision

b) Dividend decision

c) Financial planning

d) Capital structure decision

16. Management translates the works to be carried out in terms of goals to be achieved and assigns the means to achieve them. This statement relates to: [1]

a) All of these

b) management of operations

c) management of work

d) management of people

17. Accrual bond are also known as _____. [1]

a) Fixed interest Bonds

b) Flate Rate Bonds

c) Low Interest Bonds

d) Zero Coupon Bonds

18. **It is that function of management which is considered as the base of all other functions.** Identify the function of management stated in the above lines. [1]

a) Controlling

b) Organising

c) Staffing

d) Planning

19. What is the decision to invest in fixed assets called? [1]

- | | |
|----------------------------------|-----------------------|
| a) Management of working capital | b) Financing decision |
| c) Capital budgeting | d) Dividend decision |

20. How is management all pervasive? [3]

21. Which of the following is a limitation of controlling? [1]

- | | |
|---|---|
| a) Controlling is expensive | b) Controlling is goal oriented |
| c) Controlling ensures order and discipline | d) Controlling improves employee motivation |

22. What is meant by 'capital structure'? State any two factors which affect the capital structure of a company. [3]

OR

"Cost of debt" is lower than the cost of "Equity share capital". Give reason why even then a company cannot work only with the debt.

23. Rajat, a sales manager, achieved his sales targets one month in advance. This achievement was displayed on the notice board and a certificate for the best performance was awarded to him by the CEO of the company. [3]

- Name the incentive provided to Rajat.
- Identify the type of incentive.
- List two other incentives of the type identified in part (b).

24. State any three directions which can be issued by the consumer court to the opposite party if it is satisfied about the genuineness of the complaint. [3]

OR

Geetika booked two coach seats online through the website of a transportation company from Delhi to Nainital. As per schedule, its departure time was 9.30am. The description on the website stated that the coach would have full onboard services hosted by a steward with individual LCD screen preloaded with movies. One day before the trip, she was informed the departure time would be delayed by two hours as the bus had broken down. When Geetika finally boarded the coach, she was told that it was free seating despite having booked the seats online. She eventually had to sit in a seat that was dirty. She later realised that the LCD monitor screen at her seat was not working. Furthermore, there were no Wi-fi services as promised on board. After the trip, Geetika provided her feedback to the company and requested a refund for the unsatisfactory services rendered. Since the company refused to offer any relief, she has decided to file a case as it is an unfair practice for a business to make misleading or false claims in relation to a consumer transaction.

In the context of the above case:

- Identify the responsibility of a consumer being fulfilled by Geetika.
- According to you at which level of redressal machinery should Geetika file a case?
- Suggest any two reliefs that the court may provide to Geetika in case it is convinced about the genuineness of the complaint.

25. Explain how controlling helps in **achieving better coordination and better** [4]

planning.

OR

Explain how management audit serves as an effective technique of controlling.

26. An auto company C Ltd. is facing a problem of declining market share due to increased competition from other new and existing players in the market. Its competitors are introducing lower-priced models for mass consumers who are price sensitive. For quality conscious consumers, the company is introducing new models with added features and new technological advancements. [4]

Questions

1. Prepare a model business plan for C Ltd. to meet the existing challenge. You need not to be very specific about quantitative parameters. You may specify which type of plan you are preparing.
2. Identify the limitations of such plans.
3. How will you seek to remove these limitations?

OR

Wazir Ahmed joins 'Ashiyana Ltd.' a company dealing in real estate, as a human resource manager. Through a series of interactions with his team during lunch breaks, he comes to know that quite a few managers at middle and senior levels have recently left the organisation as their promotions were overdue. Therefore, in order to reinstate the confidence of the staff, he lays out a clear cut plan consisting of a set of general guidelines for both time bound and performance related appraisals of the managers at all levels. Moreover, he develops standardized processes containing a series of steps specified in a chronological order for its implementation.

In context of the above case:

- a. Identify the two different types of plans that Wazir Ahmed proposes to implement in order to reinstate the confidence of the staff by quoting lines from the paragraph.
 - b. Distinguish between the two types of plans as identified in part (a).
27. Define motivation. How does it improve efficiency and facilitate the accomplishment of organisational goals? [4]
28. Dinesh works as a head mechanic in M/s Apex Industries (machine assembling industry). He requires a number of tools while assembling the machine. Forgetting the tools, Ajay has to move frequently to the tool room, which is situated away from the workplace. Such frequent movements lead to wastage of a lot of time and no steps are taken by the factory manager to eliminate such unnecessary movements of Dinesh and his co-workers. [4]
- i. Which technique of Taylor is overlooked by the factory manager?
 - ii. How can the frequent movements be avoided?
 - iii. What kind of benefits will accrue to M/s Apex Industries after avoiding such unnecessary movements?
29. These days, the development of a country is also judged by its system of transferring finance from the sector where it is in surplus to the sector where it is needed the most. To give strength to the economy, SEBI is undertaking measures to develop the capital market. In addition to this, there is another market in which [4]

unsecured and short-term debt instruments are actively traded every day. These markets together help the savers and investors in directing the available fund into their most productive investment opportunity.

- i. Name the function being performed by the market in the above case.
- ii. Name the market segment other than the capital market segment in which unsecured and short-term debt instruments are traded. Also, give any three points of difference between the two.

30. Define staffing as a function of management and state its importance. [6]

OR

Himesh 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 no one can be transferred or promoted to this post. Name the source of recruitment the company will use to fill up this post. State any three advantages of using this source of recruitment.

31. Explain the following rights of a consumer: [4]

(i) Right to safety (ii) Right to consumer education.

32. After completing for his education, Arun joins his father in their family business of [6]

manufacturing cookware. As a businessman, his father is rigid in his approach and has fixed ideas about various issues. He tends to maintain a distance from the factory workers. However, Arun is more receptive to the needs of the workers and doesn't seem to believe in any class differences. He believes that the prosperity of their business greatly depends upon the prosperity of their workers and vice versa. At the same time, he has a good understanding of the business environment. Therefore, he introduces a new range of green pans that provide a healthy cooking surface, as they are manufactured with all-ceramic or silicon coating and are considered safer than the traditional petroleum-based nonstick surfaces which may contain toxic substances. Although the new cookware range is highly-priced, he expects a ready market for it as both the purchasing power of people and their preference for better quality products has increased over the years.

In the context of the above case answer the following:

- a. Identify the nature of management which is being reflected in the different styles of management in practice adopted by Arun and his father.
- b. Name and explain the related principle of scientific management.
- c. State the related dimensions of the business environment.

OR

After completing his MBA from the USA, Mr. Ajay came to India to start a new business under the banner Ecom Creations Ltd. He launched a new product in e-learning for senior secondary school students in the commerce stream which already had an established market in the UK and the USA but not in India. His business started flourishing in India. As a result, more Indian companies entered the market with other subjects also.

Identify and quote the lines from the above paragraph which highlight the significance of understanding the business environment.

33. **Pushpanjali Ltd.** is manufacturing chocolates, biscuits, cakes and other similar products. The company is not generating enough profits. Saurabh, the Marketing manager of the company got a survey conducted to find out the reasons. The findings of the survey revealed that in spite of better quality, the customers were not able to distinguish the products of the company from its competitors. Though the customers wanted to buy the products of 'Pushpanjali Ltd.' again and again because of its good quality, but they were not able to identify its products in the market. Because of this, the sales of the company could not pick up resulting in inadequate profits. Saurabh, the Marketing manager now realised that 'Pushpanjali Ltd.' had forgotten to take one of the most important decisions related to the product. What decision should 'Pushpanjali Ltd.' take so that its customers are able to identify its products in the market? Explain the benefits that may result to 'Pushpanjali Ltd.' and its customers if the above decision is taken. [6]
34. A company manufacturing sewing machines set up in 1945 by the British promoters follows formal organization culture in totality. It is facing a lot of problems with delays in decision making. As a result it is not able to adapt to changing the business environment. The workforce is also not motivated since they cannot vent their grievances except through formal channels, which involve red tape. Employee turnover is high. Its market share is also declining due to changed circumstances and the business environment. [6]
- You are to advise the company with regard to change it should bring about in its organization structure to overcome the problems faced by it. Give reasons in terms of benefits it will derive from the changes suggested by you.

SOLUTION

1. **(b)** Usable benefits
Explanation: Usable benefits
2. **(a)** Social
Explanation: Social
3. **(a)** Planning reduces the profitability
Explanation: All others are the characteristics of planning and correct except planning reduces the profitability.
4. **(c)** Option (ii)
Explanation: The consumers have been given the right of redressal of their grievances relating to the performance, grade, quality etc. of the goods and services. If required, the product must be repaired/replaced by the seller/ manufacturer. The Consumer Protection Act has duly provided for a fair settlement of genuine grievances of the consumers. It has also set up a proper mechanism for their redressal at district, state and national levels.
5. **(d)** All of these
Explanation: Cost risk, floatation cost, cash flow position will affect the financing decisions.
6. **(d)** Forward-looking
Explanation: Controlling is forward-looking.
7. **(d)** Negative
Explanation: Negative since screening involves here.
8. **(a)** Option (i)
Explanation: Some part of current assets is usually financed through short-term sources, i.e., current liabilities. The rest is financed through long-term sources and is called net working capital. Thus, $NWC = CA - CL$ (i.e. Current Assets - Current Liabilities.)
9. **(b)** All of these
Explanation: A functional structure leads to occupational specialisation since emphasis is placed on specific functions. It promotes control and coordination within a department because of similarity in the tasks being performed. It helps in increasing managerial and operational efficiency and this results in increased profit.
10. **(c)** Commercial Bill
Explanation: Commercial Bill, Treasury bill etc are example of money market
11. **(b)** Maximisation of shareholders' wealth
Explanation: The primary aim of financial management is to maximise shareholders' wealth, which is referred to as the wealth maximisation concept
12. **(b)** All of these
Explanation: All of the above are parts of financial system
13. **(b)** All of these
Explanation: The best plan, which is the most profitable plan and with minimum negative effects, is adopted and implemented.
In such cases, the manager's experience and judgement plays an important role in selecting the best alternative.
14. **(b)** Motion study
Explanation: Motion study of Taylor. Unnecessary movements are sought to be eliminated so that it takes less time to complete the job efficiently.
15. **(c)** Financial planning
Explanation: The financial statements are prepared keeping in mind the requirement of

funds for investment in the fixed capital and working capital. Then the expected profits during the period are estimated so that an idea can be made of how much of the fund requirements can be met internally.

16. **(c)** management of work

Explanation: Management is multidimensional in nature and involves three aspects, management of work is one of them.

17. **(d)** Zero Coupon Bonds

Explanation: A zero-coupon bond, also known as an "accrual bond," is a debt security that doesn't pay interest (a coupon) but is traded at a deep discount, rendering profit at maturity when the bond is redeemed for its full face value.

18. **(d)** Planning

Explanation: Planning precedes all other managerial functions and provides the very basis for organising, staffing, directing and controlling. Planning is deciding in advance what to do and how to do. It is one of the basic managerial functions. Before doing something, the manager must formulate an idea of how to work on a particular task. Thus, planning is closely connected with creativity and innovation.

19. **(c)** Capital budgeting

Explanation: The decision to invest in fixed assets must be taken very carefully as the investment is usually quite large. Such decisions once taken are irrevocable except at a huge loss. Such decisions are called capital budgeting decisions.

20. Activities involved in management are applicable to every type of organisation whether economic, social or economic, social or political. Either in hospital or a small hawker who sale fruits they all have to use management Thus it can be said that management is all pervasive.

21. **(a)** Controlling is expensive

Explanation: The process of controlling starts from planning and ends with taking corrective steps in the direction of deviations identified. But, the process is expensive in terms of time spent and the expenditure incurred on the technology used or technique adopted.

22. The capital structure can be defined as the mix between the owners' funds and borrowed funds. Capital Structure of a business is determined through the owners and borrowed funds.

$$\text{Capital Structure} = \frac{\text{Debt}}{\text{Equity}}$$

Following are the factors determining the relative proportion of Debt and Equity in the capital structure:

- i. **The position of cash flow:** Size of projected cash flow must be considered before issuing debt. Cash flow must not only cover fixed cash payment obligations but there must be sufficient cash for the smooth working of the business.
- ii. **Return on Investment:** (RoI) It refers to the earning expected from the investment. If Return on Investment of a company is high, it can opt for trading on equity to increase the earning per share. Thus, it is an important determinant of the extent of trading on equity. Higher Return on Investment leads to higher dependency on equity.

OR

A company employs more of debt securities in its capital structure if company is sure of generating enough cash flow whereas if there is shortage of cash then it must employ more of equity in its capital structure as there is no liability of a company to pay its share holders. Thus only debt increases the financial risk of a business.

23. a. Recognition is the incentive provided to Rajat.

b. It is a type of non-financial incentive.

- c. The two other types of non-financial incentives are job security and status.
- 24. The reliefs available to a consumer under the Consumer protection act, 1986 are:
 - i. To refund the price paid for the product.
 - ii. To remove the defects in goods or deficiency in services.
 - iii. To replace the defective product with a new one, free from any defect.

OR

- a. The responsibility of a consumer being fulfilled by Geetika is to 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.
- b. Geetika should file a case in District Forum. As the amount of the claim is less than Rs. 5,00,000 therefore, the case regarding her complaint be filed in District Forum also known as District Consumer Disputes Redressal Forum (DCDRF) as per the Consumer Protection Act, 1986.
- c. The two reliefs that the court may provide to Geetika in case it is convinced about the genuineness of the complaint are as follows:
 - i. To refund the charges paid for the service.
 - ii. To pay punitive damages in appropriate circumstances.
- 25. **Controlling helps in achieving better coordination-** Controlling facilitates decentralisation and delegation of authority. In the context of pre-determined goals, controlling keeps all activities and efforts within their fixed boundaries and makes them move towards common goals through coordinated directives. The top executives get the feedback information constantly which helps them to ensure that the decisions taken at the lower levels are consistent with the policies of the enterprise.
- Controlling helps in achieving better planning-** Under planning, the work to be done, the persons of departments who have to do it, the time limit within which it has to be completed, the costs to be incurred, etc. are determined in advance. Controlling reveals deficiencies in plans. Controlling tries to correct the deviations between actual results and desired results. Mistakes are located and appropriate remedial actions are initiated. Controlling facilitates more realistic plans in the futures.

OR

Management audit refers to a systematic appraisal of the overall performance of the management of an organization. The purpose is to review the efficiency & effectiveness of management & to improve its performance in future periods.

The main objectives of the management Audit are:

- i. To identify the weaknesses and inefficiencies of management in different functional areas, such as production, sales, finance etc.
- ii. To analyses the different ways to overcome inefficiencies or weaknesses.
- iii. To critically review the organization structure.
- iv. To evaluate the ways for improving management efficiency and to select the best are some of the objectives of a management audit.
- 26. 1. The type of plan, which the company needs to prepare, is “Strategy”.
 - o Steps involved in this plan are:
 - a) Determining the long-term objectives
 - b) Adopting a particular course of action
 - c) Allocating the resources
 - 1. The limitations of such plan are:
 - i. It leads to rigidity
 - ii. It may not work in a dynamic environment

- iii. It reduces creativity
 - iv. It involves huge costs
 - v. It is a time-consuming process
 - vi. It does not guarantee success
2. The above limitations can be removed through the following measures:
- i. The company must specify its time limit to achieve the desired objectives.
 - ii. A proper budget should be prepared to meet the requirement of the plan.
 - iii. Business Environment should be carefully analyzed.
 - iv. SWOT Analysis(Strength, Weakness, Opportunities, Threats) should be applied by the managers.
 - v. Plans made should be flexible.

OR

1. **Policies** and **Programmes** are the two different types of plans that Wazir Ahmed proposes to implement in order to reinstate the confidence of the staff.

2. **Difference between Policies and Programmes:** **Policies** are general statements or understandings which provide guidance in decision-making to various managers. A **programme** is a sequence of activities designed to implement policies and accomplish objectives.

27. It is the process of stimulating people to act voluntarily to accomplish desired goals. In other words, motivation refers to the way a person is enthused at work to intensify his willingness and use his potential for the achievement of organisational objectives. It is through motivation that managers attempt to inspire the employees to work for the organisation.

According to William G Scott, 'Motivation means a process of stimulating people to perform action to accomplish desired goals'.

Motivation facilitates the accomplishment of organisational goals: Management can achieve the goals effectively by motivating the subordinates. The motivated employees contribute to the fulfilment of the assigned tasks with their best efforts. In the existence of an effective system of motivation, the worker cooperates voluntarily with the management towards the accomplishment of organisational goals.

Motivation improves efficiency: The level of performance of employees depends not only on individual abilities but also one's willingness to achieve a high level of performance. Motivation induces employees to work better and to use their full potential. Thus, motivation helps in increasing productivity and overall efficiency.

28. i. Motion Study.
- ii. The frequent movements can be avoided either by having workplace next to tool room or by keeping the necessary toolbox at the workplace.
 - iii. Elimination of unnecessary movements will help to increase the productivity of workers and will also improve the efficiency level.
29. i. The function performed by the market in the above case is—Mobilisation of savings and channelising them into the most productive use or allocative function.
- ii. Money market is the market segment where unsecured, short-term debt instruments are traded. The three points difference between money and capital market are

Basis	Capital market	Money market
Meaning	It refers to the whole network of organisations, institutions and instruments that deal in medium and long-term funds. Capital markets channel the wealth of savers to those who can put it to long-term	Money market is a market for short-term funds which deals in monetary assets whose period of

	productive use, such as companies or governments making long-term investments.	maturity is upto one year.
Duration	Period of maturity is more than one year.	Period of maturity ranges from one day to one year.
Liquidity	Only actively traded securities have ready market.	In this market, there is a formal arrangement for creating liquidity.

30. Staffing function of management helps in obtaining the right people and putting them on the right jobs. Proper staffing ensures the following benefits to the organization:
- Obtaining competent personnel:** In all organizations, there is a need for people to perform work. Staffing function helps in discovering and to obtain competent personnel for various jobs.
 - Higher performance:** Staffing finds the right person for the right job. It ensures the higher performance of the employees as work is assigned according to their capabilities and at the same time, organizational objectives are achieved in the most efficient and effective manner.
 - Survival and growth:** By appointing efficient staff, staffing ensures the continued survival and growth of an enterprise. An organization grows with the sincere efforts of its employees only.
 - Optimum utilization of human resources:** Through manpower planning and job analysis, we can find out the number and types of employees required in the organization. So, there are no chances of overmanning, shortage or under-utilization of personnel.

OR

The company should use “External Source of Recruitment” because of the following reasons:

- Qualified Personnel:** External recruitment is the best way to attract qualified and trained people to apply for vacant jobs in the enterprise.
 - Wider choice:** External recruitment provides wide choice and brings new blood in the enterprise. It gives the management a wider range of candidates from which to choose.
 - Fresh Talent:** Sometimes present employees may be insufficient or they may not fulfill the specifications of the jobs to be filled. External recruitment brings fresh talent in the enterprise.
 - Increased chances:** In this increased chance, the company receives a variety and number of candidates who owns knowledge and ability to handle that job.
 - Generation of creative ideas:** Most probably when the company is in need of those candidates who can provide creative ideas for the growth of the company, then the company needs to go with an external recruitment process for the overall development of the company.
 - Lesser internal politics:** In the external recruitment process, there is a very less possibility that the candidate might face internal politics.
31. i. **Right to safety:**
- Consumers have the right to be protected against the marketing of products and services which are dangerous or hazardous to their health, life and property.
 - For example, if electrical goods, chemical products, gas cylinders, pressure cookers etc. happen to have any manufacturing defect, these may harm the consumer resulting in injury to him or his death or damage to his property.