

CBSE Class 12 Business Studies
Sample Paper 08 (2020-21)

Maximum Marks: 80

Time Allowed: 3 hours

General Instructions:

- i. This question paper contains 34 questions.
- ii. Marks are indicated against each question.
- iii. Answer should be brief and to the point.
- iv. Answers to the questions carrying 3 marks may be from 50 to 75 words.
- v. Answers to the questions carrying 4 marks may be about 150 words.
- vi. Answers to the questions carrying 6 marks may be about 200 words.
- vii. Attempt all parts of the questions together.

Section A

1. Ramesh is working under the guidance of Harish, a carpenter, for the last their years to learn the different skills of this job. _____ is the method of training which Ramesh is undergoing.
 - a. Internship Training
 - b. Apprenticeship Training
 - c. Orientation
 - d. Vestibule Training
2. Sales promotion refers to:
 - i. short term incentives to encourage customers to buy products
 - ii. dealing with customers
 - iii. promoting producers
 - iv. promoting deals with intermediaries
 - a. iv and i
 - b. iii and iv
 - c. ii and iii
 - d. only i

3. The need that is concerned with sense of belongingness is called-
 - a. Affiliation need
 - b. Esteem need
 - c. Security need
 - d. Self Actualisation need
4. Which of the following does not explain the impact of government policy changes on business and industry?
 - a. Increasing competition
 - b. More demanding customers
 - c. Market orientation
 - d. Change in agricultural prices
5. Which of the following increases the importance of the subordinates?
 - a. Centralisation
 - b. Specialisation
 - c. Decentralisation
 - d. Delegation
6. There is one popular saying that Planning is looking _____ while controlling is looking _____.
 - a. Future, Present
 - b. Ahead, Back
 - c. Back, Ahead
 - d. None of these
7. Under _____ the Reserve Bank keeps control on the money supply in order to achieve the objectives of the general economic policy.
 - a. Industrial Policy
 - b. Fiscal Policy
 - c. Trade Policy
 - d. Monetary Policy
8. Choose the incentive which best describes **Organisational climate** as a non-financial incentive.
 - i. Individual autonomy
 - ii. Holding a managerial position
 - iii. The appropriate skill development program

- iv. Meaningful work experience
 - a. ii and iii
 - b. only iv
 - c. only i
 - d. iii and i
- 9. Sports events and press conferences are part of:
 - a. Personal selling
 - b. Public relations
 - c. Sales promotion
 - d. Advertising
- 10. Return on investment is computed as:
 - a. $\text{Total Investment} \times \text{EBIT}$
 - b. $\text{EBIT} / \text{Total Investment}$
 - c. $\text{EBT} / \text{Total Investment}$
 - d. $\text{EBIT} \times \text{EBT}$
- 11. Face to face conversation between employer and applicant is known as:
 - a. Orientation
 - b. Interview
 - c. Selection
 - d. Campus recruitment

OR

It is a face to face conversation between employer and applicant

- a. Selection
 - b. Staffing
 - c. Interview
 - d. Recruitment
12. Current assets are those assets which get converted into cash:
 - a. between three and five years
 - b. within six months
 - c. within one year
 - d. between one and three years
13. **Read the following text and answer the questions:**

Mukesh is working as Head Relationship Manager in the wealth management division of a private sector bank. He has created an internal environment that is conducive to an effective and efficient performance of his team of ten relationship management executive” A typical day at work in Mukesh’s life consists of a series of interrelated and continuous functions. He decides the targets for his department which are in line with the objectives of the organization as a whole. The future course of action for his team members is laid out well in advance. The various resources required by the relationship managers like an iPad with GPS system, account opening forms, brochures, details of account holders etc. are made readily available to them. The executives are given sufficient authority to carry out the work assigned to them. Mukesh works in close coordination with the Human Resource Manager in order to ensure that he is able to create and maintain a satisfactory and satisfied workforce in his department. Through constant guidance and motivation, Mukesh inspires them to realize their full potential. He offers them various types of incentives from time to time keeping in view their diverse individual needs. Moreover, he keeps a close watch on their individual performances in order to ensure that they are in accordance with the standards set and takes corrective actions whenever needed. In the context of the above case:

- i. At what level is Mukesh working in the organization:
 - a. Top Level
 - b. Middle Level
 - c. Lower Level
 - d. None of the above
- ii. Identify the concept being referred to in the following line, “He has created an internal environment which is conducive to an effective and efficient performance of his team of ten relationship management executives.”
 - a. Coordination
 - b. Management
 - c. Controlling
 - d. None of the above
- iii. Identify the concept being referred to in the following line, ”Moreover, he keeps a close watch on their individual performances in order to ensure that they are in accordance with the standards set and takes corrective actions whenever needed.”
 - a. Planning

- b. Organizing
- c. Staffing
- d. Controlling

iv. Identify the concept being referred to in the following line, "Mukesh works in close coordination with the human resource manager in order to ensure that he is able to create and maintain a satisfactory and satisfied workforce in his department."

- a. Planning
- b. Organizing
- c. Staffing
- d. Controlling

14. Read the following text and answer the questions:

Dharmesh Enterprises has divided the whole of its business into five departments i.e Production department, Purchase department, Marketing department, Finance department and Personnel department. Now, the General manager of the company Mr. Amit was instructed to assign work to all the employees as per their specialisation. So, the manager is telling all the employees what different jobs are to be done by them. While assigning the work, especially the nature of the job and the person's ability has been taken into account. This was also pre-determined who will report to whom so that there would be clarification between the superior and the subordinates.

- i. Identify the function of management highlighted in the above para.
 - a. Planning
 - b. Staffing
 - c. Directing
 - d. Organising
- ii. "The general manager of the company was instructed to assign work to all the employees as per their specialisation." This statement highlights which step of the process of the above-identified concept.
 - a. Division of work
 - b. Assignment of duties
 - c. Departmentalisation
 - d. Establishing reporting relationships.
- iii. "This was also pre-determined who will report to whom." Identify the importance of the above-identified concept highlighted here.

- a. It leads to specialisation
 - b. Development of personnel
 - c. Expansion and growth
 - d. The clarity in working relationships
- iv. Identify the organisational structure which is being followed in the above case.
- a. Functional
 - b. Departmentalisation
 - c. Divisional
 - d. Delegation
15. Atul joins as a Regional Sales Head in the export division of a FMCG (fast moving consumer goods) company. In a departmental meeting, he asks one of this subordinates, Manik, to take charge of the company's new office in Dubai. He allocates the work to him and grants the necessary authority. However, within a month by seeking regular feedback on the extent of work accomplished from Manik, Atul realises that Manik is not doing the work as per his expectations. So he takes away the authority delegated to him and re delegates the work to Prakrit. Due to the time wasted in this switch over, the work at the Dubai office suffers tremendously and the company is not able to meet its desired goals.
- In context of the above case:
- a. Why is Manik supposed to give regular feedback about work to Atul?
 - b. Can the authority granted to a subordinate be taken back and re-delegated to another person?
 - c. Can Manik be held responsible for not meeting the work related expectations of Atul? Give a suitable reason in support of your answer.
 - d. Differentiate between authority, responsibility and accountability on the basis of origin and flow.
16. Explain the principle of 'Scalar Chain' and gang plank.
17. Controlling is a continuous activity in an organisation. Explain.

OR

Controlling is a goal-oriented function. Explain.

18. Explain the importance of Sound Financial Management.

OR

Stock markets impart liquidity to investments. Comment.

19. **Z Limited** is a Multi-national Company. It has two Divisions: Plastic Utensils and Steel Utensils. Ankna Goyal is the Head of Plastic Division, while Sunali Rathi is the Head of Steel Division. Ankna is in the habit of taking all the decisions all by herself. She is of the view that her subordinates cannot take the right decision. This type of thinking has resulted in the fall of morale of the employees of her department. In order to boost the morale of the employees, she placed a proposal before the Board of Directors for the increase in their salary. The Board of Directors accepted it.
- Sunali's nature is quite opposite of Ankna's. She has full faith in her subordinates. She takes every decision after consulting her subordinates. Consequently, the morale of her employees has gone up. It has directly influenced their performance. In order to further improve the performance of his employees, he has ensured promotion to those who succeed in achieving the target fixed by him.
- Identify the organisational structure adopted by the company.
 - Which leadership style is being followed by both the Divisional Managers.
 - On which motivators is the company focusing its attention?
 - Which value is the Division of Steel Utensils delivering to its employees?
20. Explain the developmental functions of the Securities and Exchange Board of India (SEBI).
21. Explain briefly four points of distinction between "On the job training" and "Off the job training".
22. "An important task in the marketing of goods relates to designing the label as it provides useful and detailed information about the product." In the light of the given scenario draw a label for 'Tea' and highlight the important information to be provided on it.

OR

What are the products in your opinion, for which

- personal selling and
- advertising would be more effective?

Give any two examples in each case and also give reasons in support of your answer.

23. Distinguish between training and development.
24. Harish purchased a medicine from 'Bhatia Medical Stores' for his son, who had high fever. Even after giving the medicine his son's condition did not improve and he had to be hospitalised. Doctor informed Harish that the medicine given to his son was spurious. Harish complained about this to Bhatia Medical Stores'. As a result, 'Bhatia Medical Stores' decided to file a complaint against the manufacturer in the consumer court. Can 'Bhatia Medical Stores' do this? Give reason in support of your answer. Also explain who is a consumer as per 'Consumer Protection Act 1986'.
25. **Management is regarded as fully developed profession.** Do you agree ? Give reasons.
26. Explain briefly any four factors affecting the fixed capital requirements of an organisation.

OR

Explain the meaning of Fixed Capital. Briefly explain any five factors that determine the fixed capital of a company.

27. Though planning is an important tool of management, yet it is not a remedy for all types of problems. Do you agree with this statement? Give any five reasons in support of your answer.
28. Differentiate between advertising and personal selling on any five basis.

OR

Identify and explain the promotional tool of marketing mix which plays a persuasive, service and informative role and thereby link a business firm to its customers. Also explain by giving any four reasons how this tool helps in increasing the sales of businessmen.

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Solution

Section A

1. (b) Apprenticeship Training

Explanation: Apprenticeship Training designed to acquire higher level of skill

2. (d) only i

Explanation: Sales promotion involves short term incentives to encourage customers to buy products.

3. (a) Affiliation need

Explanation: Affiliation needs refer to affection, sense of belongingness, acceptance and friendship.

4. (d) Change in agricultural prices

Explanation: Change in agricultural prices does not explain the impact of govt policy changes on business & industry.

5. (c) Decentralisation

Explanation: Decentralisation increases the need for subordinates.

6. (b) Ahead, Back

Explanation: Managing any task or job starts with planning the task that is looking ahead or forward. When management of the task has to be effective and efficient it has to be audited or controlled by looking back or taking a check of how the task has been conducted or performed. Thus, delivering the task effectively and also enhancing the performance.

7. (d) Monetary Policy

Explanation: Monetary Policy are the policies of the RBI to control the money supply.

8. (c) only i

Explanation: Organizational Climate indicates the characteristics which describe an organization and distinguish one organization from the another. These characteristics influence the behaviour of individuals in the organization. Individual autonomy is one such characteristic.

9. (b) Public relations

Explanation: Public relations includes conferences, events etc.

10. (b) EBIT / Total Investment

Explanation: $\text{EBIT} / \text{Total Investment} = \text{Return on investment}$

11. (b) Interview

Explanation: Through the interview, employer ask questions from the applicant to test his professional knowledge and applicant clarify their queries regarding salary posting etc.

OR

(c) Interview

Explanation: Interview is indepth conversation between employer and applicant.

12. (c) within one year

Explanation: These are the assets which can be converted into cash and cash equivalents within one year in the normal routine of business.

13. i. (b) Middle Level

ii. (b) Management

iii. (d) Controlling

iv. (c) Staffing

14. i. (d) Organising

ii. (b) Assignment of duties

iii. (d) The clarity in working relationships

iv. (a) Functional

15. i. Manik is supposed to give regular feedback about work to Atul as he has been granted authority and entrusted responsibility, so he remains answerable for the outcome.

Authority is institutionalized and legal power inherent in a particular job, function, or position that is meant to enable its holder to successfully carry out his or her responsibilities. Responsibility is a duty or obligation to satisfactorily perform or complete a task (assigned by someone, or created by one's own promise or circumstances) that one must fulfill, and which has a consequent penalty for failure.

ii. Yes, the authority granted to a subordinate can be taken back and re-delegated to another person. Delegation of authority is the base of a superior-subordinate relationship.

iii. Yes, Manik can be held responsible for not meeting the work-related expectations of

Atul as it is the obligation of a subordinate to perform the assigned duty to the best of his ability and skill.

S.No.	Basis	Authority	Responsibility	Accountability
1.	Origin	Arises from a formal position in the organisation.	Arises from delegated authority	Arises from responsibility
2.	Flow	Flows downward from superior to subordinate.	Flows upward from subordinate to superior.	Flows upward from subordinate to superior.

16. **Scalar Chain:** The line of authority from top management to the lowest ranks represents the scalar chain. Communications should follow this chain. However, if following the chain creates delays, cross-communications can be allowed if agreed upon by all parties and superiors are kept informed. Scalar chain clearly differentiates the authority and the job positions of the individuals in the organisation.

Gang Plank: It clarifies that management principles are not rigid rather they are flexible. They can be moulded and modified as per the requirements of situation. It is a tool that counter the delay in communication and hence facilitates quick decision making.

17. Controlling is a continuous activity in an organisation. Controlling never breaks and never stops. Control follows a definite pattern and time table, month after month and year after year on a continuous basis. Controlling guides and directs various departments of an organisation in the proper direction. It ensures the best possible utilisation of resources. Controlling helps in achieving the objectives and facilitates decision-making.

OR

Controlling function of management means a process of ensuring that activities in an organisation are performed according to the standards and goals set in advance. Controlling ensures that physical and human resources are being used effectively and efficiently for the achievement of pre-determined goals. In this way, controlling is a goal-oriented function of management.

18. Financial management plays important role in the growth and development of a business firm. It ensures:

- i. Optimum procurement of funds i.e. neither over-capitalization nor under-capitalization.
- ii. Optimum utilization of funds in order to ensure minimum or no wastage.
- iii. Optimum distribution of profits as dividend keeping in consideration the future expansion and growth.

OR

Stock markets are the markets in which existing securities are bought and sold. The primary function of stock markets is to provide a ready and continuous market for securities. It ensures easy liquidity of the securities held by various investors. The presence of a stock exchange is an assurance to the investors that their investments can be converted into cash as and when required by them.

19.
 - a. Divisional Organisational Structure.
 - b. **Plastic Division:** Autocratic Leadership Style
Steel Division: Democratic Leadership Style.
 - c. **Plastic Division:** Salary and Allowances
Steel Division: Career Advancement Opportunity.
 - d. Increase in Morale.
20. **Following are the developmental functions performed by SEBI:**
 - i. **Training** - SEBI provides training to intermediaries such as brokers, sub-brokers, underwriters etc. This ensures an orderly functioning of the stock exchanges and securities market.
 - ii. **Development of capital market** - SEBI undertakes measures to develop the capital market by adopting a flexible approach. SEBI aims to offer a competitive, professionalised and expanding the market with efficient infrastructure.
 - iii. **Accurate and authentic information** - SEBI conducts research and publishes information useful to all market participants.
 - iv. **Investor education** - SEBI makes the public aware of investors' rights and interests of investors and educates them.
21. The difference between On the job training and Off the job training is as follows:

Basis	On the job training	Off the job training
Focus	It focuses on learning while	

	doing.	It focuses on learning before doing.
Place of Training	Training is provided at an actual workplace giving the employee a feel of the real situation.	This type of training is conducted away from the real work situation.
Methods	Apprenticeship programmes, coaching, internship training, and job rotation etc.	Classroom lectures, conferences, films, case study, vestibule training, computer modeling, and programmed instruction etc.
Actual work	The employees learn the traits of the job through training along with doing the work.	In this type of training the employees do not perform the actual work, they just get training.

22.

AMIT TEA	
Rahul Industries Pvt. Ltd. 2 nd Floor, Arihant Towers, Karkarduma complex, New Delhi – 110092	Net Weight: 500gm Packed: April 2004 MRP: Rs.75 Batch No: 9875 Best Before: Feb. 2014

OR

a. Personal selling would be more effective for the following products:

- i. Products of technical nature.
- ii. Products of high value.

A salesperson explains to the customers the uses and operational aspects of a product.

b. Advertising would be more effective for the following products:

- i. Consumer products used by masses.
- ii. Non-durables.

Advertising is used to inform prospective customers about its features, price, usage, availability, etc. Advertising helps in increasing the sale of a firm's

products.

23. The distinction between training and development:

TRAINING	DEVELOPMENT
It is a process to increase both knowledge and skill.	It is a learning process.
The term training is generally used to impart specific skills among operative workers.	It is associated with the overall growth of the employees.
The scope of training is limited. It is just a subset of development. The scope of learning is less in training.	The scope of development is broad. Training is just a subset of it.
It is a job oriented process	It is a carrier oriented process.

24. i. Bhatia Medical Stores cannot file a complaint. This is because Bhatia Medical Stores is not a consumer as per Consumer Protection Act, 1986 because they bought the goods for resale/commercial purpose.
- ii. A 'consumer' is generally understood as a person who uses or consumes goods or avails of any service. Under the Consumer Protection Act, a consumer is defined as:
- Any person who buys any goods for a consideration, which has been paid or promised, or partly paid and partly promised, or under any scheme of deferred payment. It includes any user of such goods, when such use is made with the approval of the buyer, but does not include a person who obtains goods for re-sale or any commercial purpose.
 - Any person who hires or avails of any service, for a consideration which has been paid or promised, or partly paid and partly promised, or under any system of deferred payment. It includes any beneficiary of services when such services are availed of with the approval of the person concerned, but does not include a person who avails of such services for any commercial purpose.

25. **Profession has the following features:**

- Well-defined body of knowledge.
- Restricted Entry
- Professional association.
- Service motive.
- Ethical Code of Conduct.

Medical and legal professions satisfy all above-mentioned features but the management does not satisfy them fully. It is clear from the following:

- i. **Absence of restricted entry-** In medical and legal profession there is a restricted entry confined to the persons who have acquired knowledge by pursuing the professional courses of study. There is no restriction on anyone appointed as manager in any business.
- ii. **Absence of professional association-** It is not obligatory for managers to get registered with any professional association which regulates the professional conduct of its members.
- iii. **Absence of code of conduct-** Managers are not subject to any formal professional code of conduct enforceable by a professional association.
- iv. **Absence of service motive-** The managers do not have a service motive. Their motive is to maximise profits.

Hence, it can be concluded that management does not have the characteristics of a full-fledged profession.

26. **The main factors affecting the requirement of fixed capital are discussed below:**

- i. **Nature of Business:** The type of business Co. is involved in is the first factor which helps in deciding the requirement of fixed capital. A manufacturing company needs more fixed capital as compared to a trading company, as trading company does not need plant, machinery, etc.
- ii. **Scale of Operation:** The companies which are operating at large scale require more fixed capital as they need more machineries and other assets whereas small scale enterprises need less amount of fixed capital.
- iii. **Technique of Production:** Companies using capital-intensive techniques require more fixed capital whereas companies using labour-intensive techniques require less capital because capital-intensive techniques make use of plant and machinery and company needs more fixed capital to buy plants and machinery.
- iv. **Technology Up-gradation:** Industries in which technology up-gradation is fast need more amount of fixed capital as when new technology is invented old machines become obsolete and they need to buy new plants and machinery whereas companies where technological up-gradation is slow they require less fixed capital as they can manage with old machines.

OR

- i. Fixed capital refers to investment in long-term assets.
- ii. Management of fixed capital involves allocation of firm's capital to different long-term assets.
- iii. These decisions are called investment decisions or capital budgeting decisions. These decisions affect the growth, profitability and risk of the business in the long run.

Factors affecting the requirement of fixed capital

- i. **Nature of the Business:**
 - a. The type of business has a bearing upon the fixed capital requirements.
 - b. For example, a trading concern needs lower investment in fixed assets compared with a manufacturing organisation since it does not require to purchase plant and machinery etc.
- ii. **Scale of Operations:** A larger organisation operating at a higher scale needs bigger plant, more space etc., and therefore, requires higher investment in fixed assets when compared with the small organisation.
- iii. **Choice of Technique:**
 - a. Some organisations are capital, intensive, whereas others are labour-intensive.
 - b. A capital-intensive organisation requires higher investment in plant and machinery as it relies less on manual labour. The requirement of fixed capital for such organisations would be higher.
 - c. Labour-intensive organisations, on the other hand, require less investment in fixed assets. Hence, their fixed capital requirement is lower.
- iv. **Technology Upgradation:**
 - a. In certain industries, assets become obsolete sooner.
 - b. Consequently, their replacements become due faster. Higher investment in fixed assets may, therefore, be required in such cases.
 - c. For example, computers become obsolete faster and are replaced much sooner than say, furniture. Thus, such organisations which use assets which are prone to obsolescence require higher fixed capital to purchase such assets.
- v. **Growth Prospects:**
 - a. Higher growth of an organisation generally requires higher investment in fixed

assets.

- b. Even when such growth is expected, a business may choose to create higher capacity in order to meet the anticipated higher demand quicker.
- c. This entails higher investment in fixed assets and consequently higher fixed capital.

27. Though planning is an important tool of management, it's not a remedy for all problems, because of the following reasons:

- i. **Planning doesn't give guaranteed success:** Planning offers the managers a false sense of security and makes them careless. Hence, we can say that mere planning does not ensure success; rather efforts have to be made for it.
- ii. **Planning reduces creativity:** According to Terry, "Planning strangulates the initiative of the employees and compels them to work in an inflexible manner."
- iii. **Planning leads to rigidity:** Although the quality of flexibility is inherent in planning, it must be admitted that only small changes are possible. Big changes are neither possible nor in the interest of the organisation. Since it is not possible to introduce desired changes according to the changed situations, the organisation loses many chances of earning profits.
- iv. **Planning may not work in a dynamic environment:** Planning is based on the anticipation of future happenings. Since the future is uncertain and dynamic, therefore, the future anticipations are not always true. Therefore, it can be said that planning does not work in a dynamic environment.
- v. **Planning is time-consuming:** Planning is a blessing in facing a definite situation but because of its long process it cannot face sudden emergencies. In such a situation, if the manager thinks of completing the planning process before taking some decision, it may be possible that the situations may worsen or the chance of earning profit may slip away. Thus, planning is time-consuming and it delays action.

28. The differences between advertising and personal selling are:

Basis	Advertising	Personal Selling
Form	It is an impersonal form of communication as the buyer and the seller are not in direct contact.	It is a personal form of communication as there is direct contact between the buyer and the seller.

Message	There is uniformity of message which means that the message is the same for all the customers.	There is flexibility in terms of imparting the message.
Time	It takes little time in conveying any information to the customers.	It takes more time in conveying information to the customers.
Feedback	No immediate feedback is obtained.	Immediate feedback is obtained.
Media	TV, radio, newspapers and magazines.	Through salesmen.

OR

Personal selling refers to the oral presentation of the message in the form of conversation with one or more prospective customers for the purpose of making sales. Companies appoint salespersons to contact prospective buyers and create awareness about the product and develop product preferences with the aim of making a sale. It is a convincing tool for sales promotion.

Personal selling is an effective tool for the promotion mix. Its importance to business is judged by the following factors:

- i. **Flexible tool:** The Sales pitch can be adjusted on the basis of the requirement of the prospective customer.
- ii. **Link with customers:** There is direct contact between the salesman and the prospects that make the prospective customer feel more privileged and important.
- iii. **Feedback:** It enables the businesses to obtain feedback from the customers and accordingly prepares the strategies for the future. In other words, the salesman can clarify the doubts and myths which may be there in the mind of the customer.
- iv. **Role in the introduction stage:** It is an effective tool to launch products in the introductory stage of a product life cycle.