

## **SAMPLE QUESTION PAPER**

### **BUSINESS STUDIES (054)**

#### **CLASS XII (2017-18)**

1. Name the process which provides the requisite amount, quality, timing and sequence of efforts and ensures that planned objectives are achieved with a minimum of conflict. (1)
2. What are Planning premises? (1)
3. Name the process of exchange of information between two or more persons to reach common understanding. (1)
4. Sara worked in a call center. Her team manager did not wish to be contradicted and gave rewards depending on the result. State one benefit of the style of leadership being followed by Sara's team manager. (1)
5. What does a high Debt Service Coverage Ratio indicate? (1)
6. Aarohan Ltd. an automobile manufacturer was diversifying into manufacturing two-wheelers. They knew that India is on a growth path and a new breed of consumer is eager for a first vehicle. The market responded very well to the new product. The company did not have to allow credit, as it had advance orders from four to six months with deposits paid. Also, due to efficiency in managing their operations as soon as a vehicle was off the assembly line, it was out to the dealers. Give any one reason discussed above which helped the firm in managing its working capital efficiently. (1)
7. SEBI recently called for information and issued a show cause notice to NSE and its 14 officials seeking explanation on the Preferential Access allegations at the Exchange's Co-location facility. State the function that SEBI performed by doing so. (1)
8. Identify the right of a consumer under Consumer Protection Act, 1986 which Consumer organizations help a consumer to claim by performing the function of "encouraging consumers to strongly protest and take an action against unscrupulous, exploitative and unfair trade practices of sellers". (1)
9. Progress Ltd. Is facing difficulties in introduction of machinery of latest technology as they are facing resistance from the informal groups who are pressurizing the members to work against organizational interests. As the Human Resources manager of the company would you advise the management of the company to confront them or give them some other suggestion to deal with the informal groups. (3)
10. Shyam wanted to start a business of selling handicrafts by getting in touch with the craftsmen in the rural areas of Bengal. He wants to make a low investment in fixed Capital. Advise him in taking suitable decisions regarding the Nature of Business, Scale of

operations and Financing Alternatives (in a developed financial market) that he needs to take for the purpose. (3)

11. State any three functions of a supervisor. (3)
12. Malaysian budget airline group Sky Europe announced discounted fares, starting as low as Rs.1,099 for domestic destinations operated by its Indian Joint Venture carrier and Rs.2,099 for international flights operated by other group airlines under a limited period offer. A. Identify the medium of communication which can be used by the firm to inform a large number of people about the new fares. B. Also, state any two merits of the communication tool, apart from the one discussed above. (3)
13. State any three responsibilities that a consumer must keep in mind while purchasing gold jewelry. (3)
14. Having transformed 2500 Kirana stores across eight cities in to virtual super markets, the start up Quick Bizz further decided in advance, to collaborate with 15000-20,000 store owners in top 30 cities of the country by the end of this year. The company has set its eye on digitizing over 1,00,000 kirana stores over next 18-24 months. A. Identify and explain the step in the process of one of the functions of management discussed above. B. Also explain the last step to be performed by Quick Bizz as part of the process. (4)
15. At present, apart from the basic pay and allowances as a part of compensation, the employees and employers contribute 12% of basic wages each towards Employees Provident Fund scheme and Employees Pension Fund scheme. A proposal to reduce the contribution by employers and employees to 10% of basic pay and dearness allowance was listed on the agenda for a recent meeting of Employees Provident Fund Organization held. The stakeholders expressed their reservations about it and they feel that it should be continued at 12%. Explain any two needs as suggested by Maslow's Need Hierarchy Theory, which will not be satisfied by the incentives discussed above. (4)
16. State the first four steps which are involved in the screen-based trading for buying and selling of securities in the secondary market. (4)
17. Bye-Bye Motors recently informed the media about its aim to train up to 4000 people in the next 3 years in the skills associated with automobile industry as part of its program to provide technical and vocational education for unemployed youth. The firm has already started the program in collaboration with Automobile Skill Development Council. This news in the media has helped the firm in promoting its image in the eyes of the public and consumer activist groups.
  - A. Why is it important for the company to satisfy the public and the consumer activist groups. Give reasons.
  - B. Which departments in the firm can be given the responsibility to disseminate information and build goodwill of the firm? (4)
18. R&T Reality, the property development arm of the construction and engineering giant R&T in a recent report to the media shared that it is betting on bigger and better projects

providing greater benefits to the customers, lower prices and faster execution to boost its growth. The spokesperson of the company informed the media that besides the innovative features, quality and brand, the fair pricing followed by the company is also a hit with the buyers. He said that the company is also focusing on accurate, speedy and timely delivery. Proper communication with the market was being maintained through advertising. Even dealers were to be offered incentives to boost the sales.

The above para describes the combination of variables used by R&T Reality to prepare its market offering. Identify and explain the variables. (4)

19. It is heartening that the implementation of compliance requirements of the Companies Act, 2013 has progressed substantially with NIFTY 500 companies. Data shows a significant increase in women's participation in the top management of Indian Companies from 5% few years ago to 13% now. Even companies which are not in NIFTY 500 have undertaken drives to increase women's participation across different areas of work. The government had also announced that it would support such companies. Identify and explain the dimensions of business environment discussed above which brought about the change. (4)

20. Give any five characteristics of management. (5)

21. Textile manufacturer Super textiles reported 43% fall in its profits in the fourth quarter ended 31 March 2017, which is beyond the acceptable range 25% decided by the company. This was due to higher fuel cost and lower yield on account of demonetization. The company aims to implement cost saving measures by restructuring contracts and its business processes to meet its targets in the future.

A. Name the function of management discussed above.

B. Also identify and explain the steps of the function of management discussed above. (5)

22. Saksham Ltd. a firm manufacturing textiles, wished to diversify their business. They were considering two options, either to diversify into manufacturing tooth-paste or switches. They wanted to invest in the purchase of land, to set up a manufacturing unit in the backward areas of Gujarat, which would also lead to the generation of employment opportunities in the area, but only after fulfilling all legal requirements and taking appropriate steps to ensure that the environment was not polluted. The finance manager of the company, Mr. Ramakant was asked by the management to prepare a report on the factors which should be considered while making the above investment decision.

A. State any two factors that Mr. Ramakant would give in his report.

B. Also state any one reason which makes it important for the above decision to be made carefully.

C. And state two values being fulfilled by Saksham Ltd. (5)

**23.** The IT major GIPRA is terminating the employment of its senior managers, if after evaluating their performance against pre-determined standards if it is found lacking. With this disruption analysts say a large portion of the employees may become irrelevant unless they learn new skills and apply the knowledge to work on emerging technologies. GIPRA is ready to facilitate employee learning, through its in-house centers.

A. Name the function of management performed by GIPRA to maintain a satisfactory work force.

B. Identify and explain the two steps in the process of the function of management discussed above.

C. Also state any two steps of the function of management discussed, that the firm had to perform before performing the above steps. (6)

**24.** Rajat joined as a CEO of Bharat Ltd, a firm manufacturing Computer hardware. On the first day he addressed the employees. He said that he believed that a good company should have an employee suggestion system and he wished to minimize employee turnover to maintain organizational efficiency. He informed all employees that he would ensure that all agreements were clear, fair and there was judicious application of penalties. However, he said that he believed that lazy personnel should be dealt with sternly to send the message that everyone was equal in the eyes of management. Also that he would want to promote a team spirit of unity and harmony among employees, which would give rise to a spirit of mutual trust and belongingness among team members and eventually minimize need for using penalties. He told all present that the interests of the organization should take priority over the interests of any one individual employee.

A. Identify and briefly explain any four principles of management given by Fayol, which Rajat highlighted in his address to the employees.

B. Also state two values that Rajat wanted to spread in the organization.

(6)

**25.** “Put simply, decentralization refers to delegation of authority throughout all the levels of the organization.” In the light of the above statement give the meaning of and difference between Delegation of authority and decentralization. (6)

**MARKING SCHEME**  
**BUSINESS STUDIES (054)**  
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Ans1. Co-ordination. (1 mark)

Ans2. The manager/planner is required to make assumptions about the future. These assumptions are called planning premises. (1 mark)

Ans 3. Communication. (1mark)

Ans 4. Benefits of Autocratic or Authoritarian leader: (Any one) (1 mark for the statement)

- a. This leadership style is effective in getting productivity in many situations.
- b. Quick decision-making is also facilitated by this style of leadership.

Ans5. A high Debt Service Coverage Ratio indicates better ability to meet cash commitments and consequently, the company's potential to increase debt component in its capital structure.(1)

Ans 6. Factors affecting working capital requirements: (Any one)

- a. Credit Allowed.
- b. Operating Efficiency. (1 mark)

Ans7. The following function was performed by SEBI- Calling for information by undertaking inspection, conducting enquiries and audits of stock exchanges and intermediaries. – Regulatory Function. (1 mark for the statement)

Ans 8. Right to be heard. (1 mark)

Ans9.

- a. It would be in the best interest of the organization if the existence of such groups is recognized and the roles that their members play are identified.
- b. The knowledge of such groups can be used to gather their support and consequently lead to improved organizational performance. Such groups can also provide useful communication channels.
- c. Instead of confronting them, the management should skillfully take advantage of both formal and informal organization so that work continues smoothly. (3 marks)

Ans 10. Decisions Shyam should take to ensure low investment in fixed capital requirement with respect to:

- a. Nature of Business: Instead of setting up a manufacturing unit, Shyam should start a trading concern of buying handicrafts from the craftsmen and selling them.
- b. Scale of operations: Shyam should keep the scale of his organization small.
- c. Financing alternatives: A developed financial market may provide for leasing facilities. So instead of making outright purchase of assets, for example of office space, Shyam should take them on lease and reduce his requirement of fixed capital. (1x3=3 marks)

Ans11. Following are the functions of a supervisor: (Any three)

- a. Supervisor maintains day-to-day contact and maintains friendly relations with workers.
- b. Supervisor acts as a link between management and workers.
- c. Supervisor plays a key role in maintaining group unity among workers placed under his control.
- d. Supervisor ensures performance of work according to the targets set.
- e. Supervisor provides good on-the-job training to the workers and employees.
- f. Supervisory leadership plays a key role in influencing the workers in the organization.
- g. A good supervisor analyses the work performed and gives feedback to the workers. (1x3=3)

(1 mark for each statement)

Ans 12.

A. Advertising. (1 mark)

B. Merits of advertising: (Any two)

- a. Advertising enhances customer satisfaction and confidence, as they feel more comfortable and assured about the product quality and hence feel more satisfied.
- b. With the developments in art, computer designs, and graphics, advertising has developed into one of the most forceful and expressive medium of communication.
- c. Advertising is a very economical mode of communication if a large number of people are to be reached. (1x2=2)

(1 mark for each statement)

Ans 13. Following are the consumer responsibilities that a consumer must keep in mind while purchasing gold jewelry: (Any three)

- a. Be aware about various goods(types of jewelry) available in the market so that an intelligent and wise choice can be made.

- b. Buy only standardized jewelry as they provide quality assurance. Thus, look for Hallmark on jewelry.
- c. Learn about risks associated with the product, follow manufacturer's instructions.
- d. Read labels carefully so as to have information about prices, net weight, etc.
- e. Assert yourself to ensure a fair deal.
- f. Be honest in your dealings.
- g. Ask for a cash memo on purchase of the jewelry. (1x3=3)

(1 mark for each statement)

Ans 14 A. Following is the step in process of Planning:

Setting objectives: The first and foremost step is setting 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. Objectives should be stated clearly. Management must contribute ideas and participate in the objective setting process. If the end result is clear it becomes easier to work towards the goal. (1/2 mark for identification+1 ½ marks for explanation)

B. Following is the last step to be performed by Quick Bizz as part of the process of Planning:

Follow up action: To see whether plans are being implemented and activities are performed according to schedule is also part of the planning process. Monitoring the plans is equally important to ensure that objectives are achieved. (1/2 mark for the heading + 1 ½ marks for the explanation)

Ans 15. The following needs given as per Maslow's Need Hierarchy Theory will not be satisfied by the two incentives- Basic pay and allowances (satisfies basic needs) & Retirement Benefits (satisfy safety and security needs) discussed above: (Any two)

- a. Affiliation /Belonging Needs: These needs refer to affection, sense of belongingness, acceptance and friendship.
- b. Esteem Needs: These include factors such as self-respect, autonomy status, recognition and attention.
- c. Self Actualization Needs: It is the highest level of need in the hierarchy. It refers to the drive to become what one is capable of becoming. (2x2=4)

(1/2 mark for heading + 1 ½ marks for explanation)

Ans 16. Following are the first four steps in the screen-based trading for buying and selling of securities in the secondary market:

- a. The investor has to approach a registered broker or sub-broker and sign a broker-client agreement and a client registration form before placing an order to buy or sell securities.

- b. The investor has to open a “demat” account or “beneficial owner” account with a depository participant for holding and transferring securities in the demat form.
- c. The investor then places an order with the broker to buy or sell shares, the broker will go ahead with the deal and issue the order confirmation slip to the investor.
- d. The broker then will go on-line and connect to the main stock exchange and match the share and best price available. (1x4=4)

(One mark for each statement)

Ans 17. A.

- a. The voice and opinion of the general public is important as they may be interested in the company and its product and have an impact on the business ability to achieve its objectives. Thus, it is imperative to manage public opinion and the company's relation with the public on a regular basis.
- b. Consumer Activist groups need to be satisfied because they can impose restriction on the sales of the firm's products directly by urging customers to refrain from buying them through the imposition of laws. (1x2=2)

B. The following departments in the firm can be given the task to disseminate information and build goodwill:

- a. The marketing department.
- b. A separate department to manage public relations.(1x2=2)

Ans18. The following are the variables used by R&T Reality to prepare its market offering:

- a. Product: Product means goods or services or ‘anything of value’, which is offered to the market for sale. The concept of product relates to not only the physical product but also the benefits offered by it from customer's view point. The concept of product also includes the extended product or what is offered to the customers by way of after sales services, handling complaints, etc. The important product decisions include deciding about the features, quality, packaging, labeling and branding of the products.
- b. Price: Price is the amount of money customers have to pay to obtain the product. The marketers have not only to decide about the objectives of price setting but to analyse the factors determining the price and fix a price for the firm's products. Decisions have to be taken in respect of discounts to customers, traders and credit terms, etc, so that the customers perceive the price to be in line with the value of the product.
- c. Place: Place or physical distribution include activities that make firms products available to the large customers. Important decision areas in this respect include selection of intermediaries to reach the customers, providing support to the intermediaries. The other



decision areas relate to managing inventory, storage and warehousing and transportation of goods from the place it is produced to the place it is required by the buyers.

- d. Promotion: Promotion of products and services include activities that communicate availability, features, merits, etc, of the products to the target customers and persuade them to buy it. Most marketing organizations undertake various promotional activities and spend substantial amount of money on the promotion of their goods through using number of tools such as advertising, personal selling and sales promotion techniques.

(1 x4=4) (1/2 mark for the heading+ 1/2 mark for the explanation)

Ans 19. The dimensions of Business environment discussed above which brought about the above change are:

- a. Legal environment- Legal environment includes various legislations passed by the Government, administrative orders issued by government authorities, court judgments, as well as the decisions rendered by various commissions and agencies at every level of government-Center, State, Local. Non-Compliance of laws can land the business enterprises into legal problems.
- b. Political environment- Political environment includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business. Attitudes of the government officials may have either positive or negative impact upon business.

(2x2=4) (1/2 mark for heading+ 1 ½ marks for explanation)

Ans 20. Following are the characteristics of management: (Any five)

- a. Management is a goal oriented process which unites the efforts of different individuals in the organization towards achieving these goals.
- b. Management is all pervasive as the activities involved in managing an enterprise are common to all organizations whether economic, social or political.
- c. Management is multidimensional as it is a complex activity that has three dimensions: Management of work, Management of people, Management of operations.
- d. Management is a process consisting of continuous, composite, but separate functions.
- e. Management is a group activity which ensures team work and coordination of individual effort in a common direction.
- f. Management is a dynamic function and has to adapt itself to the changing environment.
- g. Management is an intangible force that cannot be seen but its presence can be felt in the way the organization functions. (1x5=5)

Ans 21 A. Controlling.

( 1 mark)

B. The steps of controlling discussed above are:

a. Analysing deviations: Some deviation in performance is expected in all activities. It is therefore, important to determine the acceptable range of deviations. Also, deviations in key areas of business need to be attended more urgently as compared to deviations in certain insignificant areas. Critical point control and management by exception should be used by the manager in this regard. After identifying the deviations that demand managerial attention these deviations need to be analyzed for their causes.

b. Taking Corrective Action: The final step in the controlling process is taking corrective action. No corrective action is required when the deviations are within acceptable limits. However, when the deviations go beyond the acceptable range, especially in the important areas, it demands immediate managerial attention so that deviations do not occur again and standards are accomplished. (2x2=4)(1/2 mark for heading+1 ½marks for explanation)

Ans 22.A. Factors that should be kept in mind by the company while making the investment decision: (Any two)

- a. The amount of cash flows should be carefully analyzed before considering the decision.
- b. The rate of return of the project based on expected return and assessment of the risk involved from each proposal should be analyzed.
- c. The decision to invest in a particular project involves a number of calculations regarding the amount of investment, interest rate, cash flows and rate of return. (1x2=2)

B. The following are the reasons that make the above decision to be made carefully: (Any one)

- a. These decisions have a bearing on the long term growth.
- b. These decisions result in a substantial portion of capital funds being blocked in long-term project.
- c. These decisions influence the overall business risk complexion of the firm.
- d. These decisions once taken, are not reversible without incurring heavy losses. (1 mark)

C. Following are the values being fulfilled by Saksham Ltd.: (Any two)

- a. Responsibility
- b. Respect for law and order
- c. Sensitivity to environment
- d. Development of backward regions.
- e. Generating employment opportunities

(or any other suitable value) (1x2=2) (2+1+2=5)

Ans 23. A. The function of management being performed by GIPRA to maintain a satisfactory work force is Staffing. (1 mark)

B. The two steps of staffing discussed above are:

a. Training and development: The organization should facilitate employee learning by having either in-house training centers or have forged alliances with training and educational institutes to ensure continuing learning of their employees. The organizations also benefit.

b. Performance Appraisal: All organizations have some formal or informal means of appraising their employee's performance. Performance Appraisal means evaluating an employee's current and/or past performance as against certain predetermined standards. The performance appraisal process includes defining the job, appraising performance, and providing feedback. (1 1/2 x2=3) (1/2 mark for identification+1 mark for the explanation)

C. Following are the two steps in the process of staffing that the management had to perform before performing the above steps: (Any two)

a. Estimating manpower requirements, which involves not merely knowing how many persons the company needs but also what type.

b. Recruitment is defined as the process of searching for prospective employees and stimulating them to apply for jobs in the organization.

c. Selection is the process of choosing from among the pool of the prospective candidates developed at the stage of recruitment.

d. Orientation is introducing the selected employee to other employees and familiarizing him with the rules and policies of the organization. Placement refers to the employee occupying the position or post which the person has been selected. (1x2=2) (1 mark for each statement)

Ans 24.

A. Following are the principles of management highlighted by Rajat in his address to the employees: (Any Four)

a. Initiative: Initiative means taking the first step in self motivation. It is thinking out and executing the plan. But it does not mean going against the established practices of the company for the sake of being different.

b. Stability of personnel: "Employee turnover should be minimized to maintain organizational efficiency." according to Fayol. Personnel should be selected and appointed after due and rigorous procedure. But once selected they should be kept at their post/position for a minimum fixed tenure.

c. Discipline: Discipline is the obedience to organizational rules and employment agreement which are necessary for the working of the organization. According to Fayol, discipline

requires good superiors at all levels, clear and fair agreements and judicious application of penalties.

- d. Equity: There should be no discrimination against anyone on account of sex, religion, language, caste, belief or nationality, etc. Good sense and experience are needed to ensure fairness to all employees, who should be treated as fairly as possible.
- e. Espirit de corps: Management should promote a team spirit of unity and harmony among employees, according to Fayol. A manager should replace 'I' with 'We' in all his conversations with workers to foster team spirit.
- f. Subordination of individual interest to general interest: In all situations the interests of the group/company will supersede the interest of any one individual. This is so because larger interests of the workers and stakeholders are more important than the interest of any one person. (1x4=4) (1/2 mark for the heading +1/2 mark for the explanation)

B. Following are values that Rajat wanted to spread in the organization: (Any two)

- a. Responsibility
- b. Discipline.
- c. Conflict resolution.
- d. Good behavior in human interaction.
- e. Team work

(or any other suitable value) (1x2=2)

Ans 25. Following is the meaning and difference between Delegation and Decentralization :

Basis of difference	Delegation	Decentralization
1. Meaning	Delegation is the entrustment of responsibility and authority to another and the creation of accountability for performance. (or any other suitable meaning)	Decentralization explains the manner in which decision-making responsibilities are divided among hierarchical levels. (or any other suitable meaning)
2. Nature	Delegation is a compulsory act because no individual can perform all tasks on his own.	Decentralization is an optional policy decision. It is done at the discretion of the top management.
3. Freedom of action	More control by superiors hence less freedom to take own decisions.	Less control over executives hence greater freedom of action.
4. Status	It is a process followed to share tasks.	It is the result of the policy decision of the top management.

5. Scope	It has narrow scope as it is limited to superior and his immediate subordinate.	It has wide scope as it implies extension of delegation to the lowest level of management.
6. Purpose	To lessen the burden of the manager.	To increase the role of the subordinates in the organization by giving them more autonomy.

(1/2x2=1 mark for the meaning)

(1x5=5marks for the differences)