

CBSE
Class XII Business Studies
All India Board Paper Set 2 – 2012

Time: 3 hrs

Max. Marks: 100

Note:

- Please check that this question paper contains 12 printed pages.
 - Code number given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.
 - Please check that this question paper contains 30 questions.
 - **Please write down the Serial Number of the question before attempting it.**
 - 15 minutes time has been allotted to read this question paper. The question paper will be distributed at 10.15 a.m. From 10.15 a.m. to 10.30 a.m., the students will read the question paper only and will not write any answer on the answer-book during this period.
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General Instructions:

- (i) **All** questions in both the sections are compulsory.
 - (ii) Marks for questions are indicated against each question.
 - (iii) Questions No. **1 – 10** are very short-answer questions carrying **1** mark each. They are required to be answered in one sentence each.
 - (iv) Questions No. **11 – 15** are short answer questions carrying **3** marks each. Answers to them should normally not exceed **50 – 75** words each.
 - (v) Questions No. **16 – 20** are also short answer questions carrying **4** marks each. Answers to them should normally not exceed **150** words each.
 - (vi) Question number **21 – 25** are long-answer questions carrying **5** marks each. Answers to them should normally not exceed **150** words each.
 - (vii) Question number **26 – 30** are long-answer questions carrying **6** marks each. Answers to them should normally not exceed **200** words each.
 - (viii) Answers should be brief and to the point and the above word limits should be adhered to as far as possible.
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1. Name the type of plan that provides the broad contours of an organisation's business. **[1]**
2. Planning always lead to success.' Do you agree? Give reasons in support of your answer. **[1]**
3. Identify the nature of management when it is practised as personal application of existing knowledge to achieve desired result. **[1]**
4. Name the level of management at which the managers are responsible for implementing and controlling the plans and strategies of the organisation. **[1]**

5. Give the meaning of placement as a step in the process of staffing. [1]
6. Define communication'. [1]
7. Give the meaning of 'Compensation' as a step in the process of staffing. [1]
8. Define 'Supervision'. [1]
9. State any one 'protective function' of Securities and Exchange Board of India (SEBI). [1]
10. What is meant by 'Capital Market'? [1]
11. Explain how principles of management
 - i. Help in optimum utilisation of resources and elective administration
 - ii. Help the managers in meeting changing environment requirements[3]
12. Why is training important for the employees? State any three reasons. [3]
13. What is meant by 'financial planning'? State any two points of its importance? [3]
14. Why is training important for the organization? State any three reason [3]
15. What is meant by 'Financial Management'? State the primary objective of financial Management. [3]
16. Explain that technique of scientific management which is the strongest motivator for a worker to reach a standard performance. [4]
17. State any four points of importance of organising function of management. [4]
18. Investment decision can be long-term or short-term. Explain the long-term investment decision and state any two factors affecting this decision. [4]
19. Explain the following 'Rights of consumers' a. Right to be informed b. Right to seek redressed. [4]
20. Atul is working in an organisation. After every three months his manager transfers him from one department to another so that he may gain a broader understanding of all the departments of the organisation. Name and explain the method of training Atul is undergoing. [4]
21. Explain how management 'increases efficiency' and 'helps in development of society'? [5]
22. Explain any five features of 'Co-ordination'. [5]

23. State any five impacts of Government policy changes as Business and Industry. [5]

24. Explain any five features of Planning. [5]

25. Differentiate between 'Marketing' and 'selling' on any five bases. [5]

26. What is meant by 'Formal organisation'? State any three advantages and any two limitations of formal organisation.

OR

'Delegation is the entrustment of responsibility and authority to another and the creation of accountability for performance'. In the light of this statement identify and explain the essential elements of delegation. [6]

27. What is meant by leadership? Explain any four qualities of a good leader.

OR

What is meant by directing as a function of management? Describe any four points of its importance. [6]

28. What is meant by budgetary control? State any five advantages of budgetary control.

OR

What is meant by controlling? State any five points highlighting the importance of controlling. [6]

29. Explain any four functions of 'stock exchange'.

OR

Explain any four methods of floatation of new issue in the 'primary market' [6]

30. Consumer products are classified on different basis. 'Durability of the product' is one of them. Explain any three types of products in this category.

OR

Physical distribution includes some components for physically moving the goods from manufacturers to the customers. Explain these components. [6]

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Answer 1

Strategy is the type of plan which provides the broad contours of an organisation's business.

Answer 2

No, planning does not always lead to success. The probability of attaining success once the plans have been put into action is odd. Often managers tend to rely on previously tried and tested successful plans. However, the business environment is dynamic and a pretested plan may or may not work in the future.

Answer 3

The nature of management when it is practised as personal application of existing knowledge to achieve desired result is management as art.

Answer 4

The level of management at which managers are responsible for implementing and controlling the plans and strategies of the organisation is middle-level management.

Answer 5

Placement refers to actually occupying the position by the selected employee.

Answer 6

Communication refers to the exchange of information, facts and feeling such that a common understanding is created.

Answer 7

Compensation is one of the steps in the staffing process. It emphasises that every organisation must pay the right compensation as deserved by candidates. This compensation can be in the direct form (wages and salaries) or in the indirect form (insurance and bonus).

Answer 8

Supervision refers to the process where the activities of workers are guided towards the pre-determined objectives. It involves directly overseeing the work of workers.

Answer 9

One of the protective functions of Securities and Exchange Board of India (SEBI) is that it

works towards promoting fair trade practices. It provides for a code of conduct for intermediaries.

Answer 10

A capital market is a market which deals in trading medium and long-term securities which have a maturity period of at least one year. Some common instruments traded in the capital market are equity and preference shares, debentures, bonds, mutual funds and public deposits.

Answer 11

- i. **Help in optimum utilisation of resources and elective administration:** One of the basic aims of management is the optimum utilisation of resources. The principles of management help in predicting the exact cause and effect relationship of a decision. Accordingly, they eliminate the need for trial and error and thereby minimise wastage of resources.
- ii. **Help managers in meeting changing environment requirements:** Management principles were developed over time by exhaustive observations and experimentation by managers in different situations. Thus, they help in successfully predicting the business environment and business situations.

Answer 12

Importance of training for employees:

- i. **Better career opportunities:** Training helps in improving the knowledge of the employee which in turn helps in improving his career prospects.
- ii. **Earn more:** By helping the individual to improve their knowledge and skills, training improves the earning prospects of employees.
- iii. **Less accident prone:** With proper training, employees become more efficient in handling complex machines. This helps in reducing the chances of an accident.

Answer 13

Financial planning involves identifying the sources from where the funds can be obtained and ensuring that the required funds are available to the firm as and when needed.

Importance of financial planning:

1. Identifying the sources from where the funds can be raised and ensuring that the required funds are available to the firm as and when needed.
2. To ensure that there is proper utilisation of funds in the sense that there is neither surplus nor inadequate funding by the firm.

Answer 14

Importance of training in the organisation:

- i. **Less wastage:** With training, employees learn to work systematically without the need of any hit and trial method. This helps in reducing the wastage of time and money.
- ii. **Higher profits:** By developing the skills of individuals, it makes them more efficient and productive. With increase in overall productivity, the profits of the organisation rise.
 - a. **Managerial efficiency:** Training imparts self-confidence among employees to face new challenges. It helps them to better deal with various situations and problems.

Answer 15

- i. Financial management is efficiently acquiring and using funds. The basic objective of financial management is to maximise the wealth of shareholders. In other words, it aims at taking financial decisions which prove beneficial for shareholders. Such financial decisions are taken wherein the anticipated benefits exceed the cost incurred. This in turn implies an improvement in the market value of shares. An increase in the market value of shares is gainful for shareholders. Financial decisions must be taken which lead to value addition to the company, so the price of the equity share rises. As this basic objective gets fulfilled, other objectives such as optimum utilisation of funds and maintenance of liquidity are also automatically fulfilled.

Answer 16

Differential piece wage system is the technique of scientific management which is the strongest motivator for a worker to reach a standard performance.

Under this system, different wages are paid to efficient and inefficient employees. Employees who perform better are paid higher wages than employees who perform below the standard target. This motivates employees to become efficient and earn more.

Answer 17

Importance of organising function of management:

- i. **Leads to specialisation:** Under organising, similar activities are grouped together in departments. This grouping is on the basis of criteria such as regions and products. It promotes specialisation in work.
- ii. **Clarity in working relationships:** A proper hierarchical structure is established under organising. Hence, every employee would be clear that from whom he would take orders and to whom he is reporting. Such clarity in working relationships help in smooth operations in the organisation.
- iii. **Optimum utilisation of resources:** Under organising, various activities in the organisation are identified and are divided according to the plans. Division of work ensures that there is no duplication of work. In this way, it avoids the wastage of resources and leads to optimum utilisation of resources.

- iv. **Development of personnel:** Delegation proves beneficial to subordinates as well in the sense that it provides them with the opportunity to work independently, apply their own creativity and skills. This helps in their growth and development.

Answer 18

Long-term investment decisions affect a firm's long-term earning capacity and profitability. They are also known as the capital budgeting decisions. For example, decision to purchase a new machine and land.

Factors which affect long-term investment decisions of a company:

1. **Cash flows of the project:** When the organisation invests in any project, it leads to generation of cash flows and receipts. Before investing in any project, it is essential for the organisation to carefully analyse the expected cash flows from the project.
2. **Rate of return:** Organisations must analyse the rate of return of the project before making a long-term investment decision. Generally, investments should be made in projects which yields a higher rate of return.

Answer 19

1. **Right to be informed:** Every consumer has the right to have complete information with regard to goods and services. For instance, they must have information regarding quality, quantity, price, ingredients and weight of goods and services. In India, it is mandatory by law for manufacturers to provide information about the product on its package and the label. This helps the consumer in making an informed wise choice.
2. **Right to seek redressal:** It is the right of consumers to seek redressal in case of a grievance and, if required, demand a suitable compensation. The Consumer Protection Act provides for compensation in the form of replacement of product, cash compensation and repair/removal of defects.

Answer 20

The method of training which Atul is undergoing is job rotation.

- Employees are shifted from one job to another, one department to the needed department or from one shift to another.
- The employee who undergoes this process gains a broader perspective, i.e. learns the functioning of the whole organisation.
- This method makes it easier for the organisation to take decisions at the time of promotions, replacements or transfers.

Answer 21

- i. **Increases efficiency:** Management increases efficiency by reducing the costs and increasing the productivity by proper planning, organising, staffing, directing and controlling.
- ii. **Helps in development of society:** Management develops society by producing good quality products at reasonable prices, creating employment opportunities, adopting new

technology and using honest selling practices.

Answer 22

Features of coordination:

- i. **Integrates group efforts:** Coordination acts as a binding force in the organisation in the sense that it unifies the efforts of various individuals in the organisation towards the achievement of common goals and objectives of the organisation.
- ii. **Ensures unity of action:** Coordination unifies the actions of all employees in the organisation towards the accomplishment of a common organisational objective.
- iii. **Continuous process:** Coordination is a continuous process. It begins from planning and continues till controlling. Then, it starts again with planning.
- iv. **All pervasive function:** Coordination is a pervasive function in the sense that every manager and management level performs this function to achieve the organisational goal.
- v. **Responsibility of all managers:** The coordination function has to be performed by every manager in the organisation. Top-level managers coordinate with subordinates to ensure that policies of the organisation are properly implemented. Middle-level managers coordinate with top-level and lower level managers. Lower level managers coordinate with workers to ensure work is done according to plans.

Answer 23

Impacts of government policy changes on business and industry:

- i. **Increased competition:** The policy allowed easy entry of foreign firms and abolition of the licensing. Domestic companies thus have to compete with international firms in the market which is a serious challenge and threat to them.
- ii. **Increased demand:** Because of the fierce competition from the foreign market and new businessmen joining the production line, there has been a tremendous increase in the customer's demands for a better choice of goods and services.
- iii. **Change in business policies:** Business enterprises had to alter their policies and operations from time to time following government policies under new industrial policy.
- iv. **Technological changes:** The competitive spirit has led new firms fund new and innovative ways to outperform each other in the market. They increasingly adopt new technology and engage and invest further research and development.
- v. **Need for trained personnel:** High-end technologies and innovations have resulted in improved product applications. The market now demands for skilled, trained and competent personnel to handle the ever evolving technologies and its products.

Answer 24

- i. **Features of planning:**
- ii. **Focus on objectives:** Planning starts when an objective is set, and a proper planning method gives boost to a well-organised and goal-oriented management. Plans ensure that the desired objective is attained economically and quickly. Managers must make

sure that plans made are purposeful, specific, realistic and clear and should adhere to the company's strategies, procedures and policies. For example, if a sales target is to be achieved, then the plans must be made in sync with this objective.

- iii. **Acts as a stepping stone:** A goal is achieved through planning, organising, staffing, directing and controlling. So, planning serves as the stepping stone for all other functions of an organisation. The remaining functions are conducted within the framework of the plans drawn, i.e. the other functions are interrelated and interdependent on planning. Thus, planning acts as the primary function for all organisations.
- iv. **Pervasiveness:** Planning must be done at all levels of the management and in all departments of the organisation. However, its scope differs along the various dimensions of business levels. For example, top-level managers have to chalk out the policies regarding the overall management, whereas middle-level managers plan out the authority to be assigned to subordinates or departmental planning. On the other hand, lower level managers have to perform day-to-day operational planning and make out small targets.
- v. **Continuity:** After an objective or goal is achieved, the plan drawn for it does not cease to exist but goes on to become a never ending strategy because of the dynamic nature of the business environment. It is a continuous process. After or within the plan period, a need may arise for the formulation or modification of another plan, keeping in view the new objectives and circumstances. It is a continuous process all along the life of a business enterprise.
- vi. **Choice making:** After coming up with all possible alternatives and outcomes, managers need to evaluate them. This evaluation is based on the utility and consequences of the options and the performance study of various actions. Various factors will be weighed against each other as they must assess the pros and cons of each alternative.

Answer 25

| Basis | Marketing | Selling |
|------------------------------|--|---|
| Scope of the term | Marketing is a wider term and comprises a large number of activities such as planning, designing and after sales services. | Selling is a narrower term and is limited to promotion activities and the transfer of ownership of the product from the seller to the consumer. |
| Emphasis | Customer satisfaction. | Sale of goods and the transfer of ownership of a product from the seller to the consumer. |
| Means of profit maximisation | The primary focus is on customer satisfaction. | The primary focus is on maximising sales. |

| | | |
|------------------------|--|--|
| Scope of activities | Both pre-production and post-production activities. | Only post-production activities. |
| Strategies and efforts | Towards production, planning, designing and feedback services. | Towards the promotion and sale of the product. |

Answer 26

A formal organisation is one wherein the boundaries of authority are systematically and clearly defined in an organisation.

Advantages of a formal organisational structure:

- i. Responsibility can be easily fixed in a formal organisation as a scalar chain is followed.
- ii. There is no duplication of work as employees know their key responsibility areas.
- iii. The superior-subordinate relationship is clearly defined in a formal organisation. Thus, unity of command is maintained.

Limitations of a formal organisation:

- i. Scalar chain has to be followed in a formal organisation which leads to delay in decision making.
- ii. Formal organisation does not give importance to human relationships and focuses more on work.

OR

Elements of delegation:

- i. **Authority:** It refers to the power of giving commands and directions to subordinates. Herein, power is given with regard to deciding what activities are to be done and by whom. In a formal organisation, a scalar chain defines authority. Authority flows from top to bottom, i.e. the top-level management has the highest authority, then the middle level and the lowest is the lower level management. Assigning authority promotes obedience and compliance in the organisation.
- ii. **Responsibility:** Responsibility refers to the obligation that the task which is assigned is successfully completed within the stipulated time. A responsible subordinate is obedient and loyal towards the duties assigned to him. Contrary to authority, responsibility flows upward, i.e. the subordinate is responsible to his superior. However, it must be ensured that while giving responsibility, a fair degree of authority is also given. Similarly, the one who has authority must also be responsible.
- iii. **Accountability:** Accountability implies being answerable for the outcome of the work. In an organisation, the superior is accountable for the work assigned by him. Although he has delegated the work to subordinates, he is still responsible for the outcome. The superior must ensure that the tasks are performed and completed satisfactorily. For this, regular feedback and supervision must be given.

Answer 27

Leadership refers to influencing the behaviour of employees such that there is an improvement in their willingness to work and achieve organisational objectives. Good leadership boosts the self-confidence of workers and induces workers to work to the best of their capabilities.

Qualities of a good leader:

1. **Physical attributes:** It is a general perception that people with good physical features and an attractive personality make good leaders. One who is healthy and active himself can work efficiently. The one who works to the best of his ability is looked up to and induces others to improve performance.
2. **Honesty:** A good leader should maintain a high level of honesty and integrity such that he is an idol for others in terms of these values. He must demonstrate an ethical behaviour.
3. **Intelligence:** A leader must have high knowledge and intelligence. He should have a strong presence of mind. He must be able to use logic and facts for decision making. He must be able to provide solutions to various problems encountered during working.
4. **Inspiration:** A leader should be able to inspire and influence others. He must be a source of inspiration and motivation to others. He must be looked up to in terms of work, performance, values and ethics.

OR

Directing refers to the process of providing instructions, guidance, counselling and motivation to employees towards achieving the goals and objectives of an organisation.

Importance of directing:

- i. **Initiates action:** Directing helps in initiating action as it provides the directions and instructions regarding work. Also, work is properly supervised and workers are motivated so that organisational goals can be achieved.
- ii. **Integration of efforts:** Directing combines the efforts of different individuals and channelises them towards the goals of the organisation.
- iii. **Employee development:** Directing provides motivation to employees to work efficiently and brings out the best in employees. In this way, it leads to development of employees.
- iv. **Facilitates changes:** Changes can be easily introduced through directing. Because of directing, employees reduce the resistance towards change.

Answer 28

Under the technique of budgetary control, budgets are prepared for each activity and operation in the organisation. Here, the term budget refers to defining the goals and objectives which are to be achieved in quantitative terms. Then the actual results of the activities are compared with budgetary standards. Accordingly, the work done is assessed and evaluated. Deviations from the set standards are identified and corrective actions are decided. In an organisation, a budget can be prepared for various divisions such as the sales

budget and production budget. However, it must be remembered that for the budgeting technique to be effective, the estimates with regard to the future should be made carefully.

Advantages of budgetary control:

- i. Budgetary control helps in the attainment of goals of the organisation as deviations from the set standards are identified under this technique and corrective actions are decided.
- ii. By setting budgets, employees know the standards against which their performance would be evaluated. This motivates employees to improve their performance and achieve the standards so set.
- iii. Budgetary standards promote coordination among different divisions/departments of the organisation.
- iv. Through proper budgeting, the resource requirement of various departments can be assessed. Accordingly, the resources can be allotted to different divisions. In this way, it helps in optimum utilisation of resources.
- v. It facilitates management by exception.

OR

Controlling refers to making sure that various activities and tasks in an organisation are performed according to predefined goals and objectives.

Importance of controlling:

1. **Achieving goals:** Controlling ensures that various activities are performed correctly according to plans. It ensures that deviations if any are identified and appropriate corrective action is taken.
2. **Reviewing standards:** An effective control system ensures that the standards are set accurately. As the business environment changes, it ensures that the standards are also reviewed so as to adapt to the changes taking place.
3. **Enables efficiency in resource utilisation:** An effective control system ensures that there is minimum wastage of resources. In other words, it ensures that the resources are used optimally and in the most efficient manner.
4. **Better motivation:** With controlling, employees know what is expected from them and how their performance would be evaluated. This clarity motivates employees to perform better.
5. **Maintain order:** Controlling helps keep a close watch on the activities and behaviour of employees. In this way, it helps in maintaining order and discipline in the organisation.

Answer 29

Functions of a stock exchange:

- i. **Provides liquidity and marketability:** The stock exchange provides a platform where sale and purchase of existing securities can take place. In this way, the stock exchange facilitates the conversion of securities to cash as and when required. In

addition, it renders liquidity to long-term securities and can be converted to medium-term and short-term securities.

- ii. **Determination of prices:** A stock exchange acts as a link for the interaction of buyers and sellers. In other words, it helps in the interaction of demand and supply forces, and thereby helps in establishing the price of securities.
- iii. **Fair and safe market:** A stock exchange provides a safe and fair market for trading of securities. It functions according to a well-regulated legal framework.
- iv. **Facilitates economic growth:** By facilitating the sale and purchase of securities, the stock market helps in channelising savings to the most productive investment. This in turn promotes capital formation and economic growth.

OR

Methods of flotation of new issues in the primary market:

- i. **Offer through sale:** Securities are issued through intermediaries such as stock brokers or issuing houses. In other words, companies first sell securities to intermediaries who in turn resell to the public at a price higher than the face value (to command profit).
- ii. **Private placement:** The company allots securities only to some selected individuals or institutional investors. In this way, the company can save various expenses such as the cost of manager fees, commission and underwriter fees. It is preferred by those companies which are not in a position to afford public issue.
- iii. **Rights Issue:** Existing shareholders of the company are offered new shares. The shares offered are in proportion of the shares already held by them. This is in accordance with the Companies Act, 1956.
- iv. **e-IPOs:** Securities are issued through an online system. For this, a company has to get into an agreement with the stock exchange. It needs to get listed in a stock market (except on which it has already offered securities). It appoints brokers who accept applications and place orders for the company.

Answer 30

On the basis of durability of the product, products are divided into

- i. **Durable products:** These are tangible consumer products and can be used for a longer period. Examples: Television, refrigerator, washing machine

Characteristics of durable goods:

- a. These goods are expensive.
- b. They require personal selling efforts and after sales services.
- c. Guarantee on these products is provided by the seller.

- ii. **Non-durable products:** These are consumer products which can be consumed in one or a few uses. Examples: Vegetables, detergents, soaps

Characteristics of non-durable goods:

- a. These goods are comparatively cheap.
- b. They are made available in many locations.
- c. They need to be heavily advertised.

- iii. **Services:** These are durable and non-durable goods which are intangible. These are

activities which are sold. Examples: Services offered by a doctor, a lawyer, a teacher

Characteristics of services:

- a. They are intangible.
- b. They cannot be separated from their source.
- c. Services cannot be stored.
- d. They are variable.

OR

Components of physical distribution:

- i. **Processing of order:** These are activities which take place between the placement of order and the final delivery to the consumer. It comprises steps such as placement of order, intimation of order to the manufacturer and delivery of goods. The system of distribution should be such that the processing of order is speedy. A speedy processing with sufficient accuracy leads to greater customer satisfaction.
- ii. **Transportation of products:** Transportation of products implies physical transfer of goods from the place of manufacturing to the place of actual consumption.
- iii. **Warehousing:** Warehousing implies storing goods before they are finally sold to consumers. Storing of goods at the warehouse enables ready availability of goods at different locations as and when required. However, warehousing involves costs as well. Thus, the benefits of warehousing must be weighed against the costs involved so as to maintain a balance according to the requirement.
- iv. **Maintenance of inventory:** Maintaining inventories enables timely supply of products as and when required. Similar to warehousing, maintenance of inventory also involves a cost.