

CBSE
Class XII Business Studies

Time: 3 hrs

Max. Marks: 80

General Instructions:

- i. All questions in both sections are compulsory.
 - ii. Marks for questions are indicated against each question.
 - iii. Question Nos. **1–8** are very short answer questions carrying **1** mark each. They are required to be answered in one sentence each.
 - iv. Question Nos. **9–13** are short answer questions carrying **3** marks each. Answers to them should normally not exceed **50–75** words each.
 - v. Question Nos. **14–19** are also short answer questions carrying **4** marks each. Answers to them should normally not exceed **150** words each.
 - vi. Question Nos. **20–22** are long answer questions carrying **5** marks each. Answers to them should normally not exceed **150** words each.
 - vii. Question Nos. **23–25** 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. 'The task must be completed and within the given time'. Name the aspect of management being described. [1]
2. When is a divisional structure most suitable for an organisation? [1]
3. What is meant by organisation structure? [1]
4. 'In Japanese work culture, both management and workers realise that each is important for the other. If at all Japanese workers wish to show opposition regarding some issue, they wear a black badge to work'. State the principle of management being described.[1]
5. What is the basic aim of financial management? [1]
6. What is meant by the term capital structure? [1]
7. What is meant by the term branding? [1]
8. This Act provides for a three-tier machinery for the protection of a consumer. State the Act being referred to. What are the three levels of the consumer protection machinery under the Act? [1]

9. What is meant by planning? Why does planning precede all other functions of management? Is planning required at all levels of management? Explain. [3]
10. AB Ltd. opened a new division in the organisation which deals with women's apparel. For this, it has identified and estimated the requirements of human resource. It now plans to hire competent and skilled personnel for the same.
- Identify the function of management being described.
 - State two points highlighting the importance of the function identified in (i). [3]
11. Explain the principles of directing. [3]
12. PK Ltd. wants funds for opening a new factory. It finalised two sources for the same. First, it identified a group of investors to which it sold its securities. Second, it offered its existing shareholders new shares which would be a proportion of the shares already held by them.
- Identify the methods of floatation described in the given case. [3]
13. State any three ways in which consumer organisations and NGOs work towards consumer protection. [3]
14. Describe the characteristics of management. [4]
15. ABC Ltd. is gearing up for a high demand for firecrackers during Diwali. The research and development team of the company is trying to come up with an eco-friendly technique of producing crackers.
- Name and explain the dimension of business environment as described in the given situation. [4]
16. AB Ltd. is a giant cloth-manufacturing organisation. The entire organisation is divided into four departments—production, sales, marketing and human resources. All the departments are headed by a department head, who in turn reports to the Managing Director.
- Name the type of organising structure which is described.
 - List two advantages the organising structure identified in (i).
 - When is the organising structure identified in (i) most suitable.
- [4]
17. Rashmi works as a senior engineer in PT Ltd. She is a hardworking employee, but she feels that she does not get due recognition in the organisation. She is now planning to quit the organisation.
- Which element of direction would be best suitable in the given situation to convince Rashmi to continue work?

- ii. Explain the process involved in the element identified in (i). [4]
- 18.** PS Ltd. decided that it would sell its women's clothing under the name 'Siya'.
- i. Identify the element of marketing mix which is being referred.
- iii. How does it benefit the marketers? [4]
- 19.** Explain any four points of difference between primary market and secondary market. [4]
- 20.** Although planning is essential for an organisation, it is not always possible for it to adhere to the plans and the planning may fail. Explain. Should organisations stop planning? [5]
- 21.** Shreya works as an accountant in AI Ltd. Although her salary is at par with industry standards, she feels that her designation is not according to her knowledge and work experience.
- i. Identify the incentive which would be best suitable in the given situation.
- ii. Explain four other such incentives. [5]
- 22.** Why is it said that too much controlling must be avoided? [5]
- 23.** Who coined the term scientific management? Explain any three principles as given by him? [6]
- 24.** What is financial planning? What are its objectives? State any three points highlighting the importance of financial planning. [6]
- 25.** According to the governing rules for food items, it is mandatory to specify the ingredients and contents of the product on the package of the product.
- i. Identify the aspect being described in the given case.
- ii. What are the functions performed by the aspect? [6]

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Answer 1

The aspect of management which is being described is effectiveness. Effectiveness means completing the given task/activity within the stipulated time. It focuses on the final result.

Answer 2

Divisional structure is said to be most suitable when the organisation deals in a large number of products which use different resources.

Answer 3

Organisational structure refers to the framework which defines the working relationships in an organisation.

Answer 4

The principle of management which is being described is 'Harmony not Discord'. According to this principle, workers and managers must be at harmony with each other. Both should value each other. While managers must share the benefits with workers, workers/employees must also work to the best of their capabilities and must willingly accept the changes which are required.

Answer 5

The basic objective of financial management is to maximise the wealth of shareholders. Such financial decisions are taken wherein the anticipated benefits exceed the cost incurred, which in turn implies an improvement in the market value of shares. An increase in the market value of shares, in turn, is gainful for shareholders.

Answer 6

Capital structure refers to the ratio of debt and equity. Capital structure is said to be optimal when the ratio of debt and equity is such that the value of equity share increases, or in other words, the shareholder's wealth increases.

Answer 7

Branding refers to deciding a suitable name for the product. The name can be either a generic name or brand name. The brand name acts as a basis of differentiation of the firm's product with that of its competitors.

Answer 8

The Act which is being called is the 'Consumer Protection Act, 1986'. The three levels of the machinery are District Forum, State Commission and National Commission.

Answer 9

Planning refers to the process of deciding what is to be done and how it is to be done. In general terms, it formulates the basic idea of the nuances of a task.

Planning is the basic function of management and precedes all other functions. In fact, it is planning which lays the foundation for all other functions. Various managerial functions are performed according to the plans formulated by the organisation. Accordingly, planning is also called the primary managerial function.

Yes, planning is required by all levels of management. It is not just limited to the top level of management. Rather planning is undertaken by all levels of management and by all departments. However, the nature and scope of planning may differ from one level of management to another. For instance, while the top level of management would formulate plans for the entire organisation, the middle level of management would formulate plans for a particular department.

Answer 10

- i. The function of management being described is staffing. Staffing refers to the process of filling job positions in an organisation and maintaining the positions so filled. It comprises various work functions such as recruitment, selection, training, development, promotion, compensation and performance appraisal.
- ii. Points highlighting the importance of staffing:
 - Ensuring that the right personnel are assigned to the right job helps in improving the performance in the organisation.
 - It helps in avoiding the situations of both shortage of personnel and overmanning. In this way, it helps in optimum use of human resources.

Answer 11

Harmony of objectives: In an organisation, the objectives of an individual and those of the organisation may conflict. For instance, while the employee may expect good monetary benefits, the organisation expects high performance. Directing function of the managers must ensure that there is harmony between the goals of the individual and the goals of the organisation.

Follow through: It is the duty of managers to ensure that the order or commands given to him are appropriately implemented. Actual implementation of the commands may require modification in the orders as well. Such follow up action must be taken by managers.

Answer 12

Methods of floatation described in the given case:

- i. **Private placement:** Under this method, the company allots securities only to some selected individuals or institutional investors. It is generally preferred by those companies which are not in a position to afford public issue.
- ii. **Rights issue:** In this method, existing shareholders are offered new shares. The shares offered are in proportion of the shares already held by them.

Answer 13

Ways in which NGOs and consumer organisations work towards consumer protection:

- i. Organising training and workshops so as to educate people and spread awareness with respect to consumer rights and responsibilities.
- ii. Encouraging consumers to take up actions against unfair and exploitative trade practices.
- iii. Assisting consumers in filing complaints in appropriate forums.

Answer 14

Characteristics of management can be described as follows:

- i. **All pervasive:** Management is pervasive in the sense that various activities of management are followed by every organisation irrespective of its nature, geographical location etc. For instance, a college must be managed as much as a post office. Similarly, an organisation in India must be managed as much as an organisation in Japan. The only difference is how the various activities of management are performed.
- ii. **Goal Oriented:** Every organisation exists with a particular goal or objective. These goals and objectives of the organisation should be clearly defined. It is the management which binds together the various activities and efforts in the organisation towards the common goals of the organisation.
- iii. **Continuous:** Management is a continuous process. Various functions of management are performed simultaneously by managers. In other words, several functions are performed at a time.
- iv. **Dynamic:** Management is dynamic in the sense that it must continuously adapt to the continuously changing business environment. As the economic, social or political environment changes, the goals and objectives of the organisation must also change accordingly.

Answer 15

Dimensions of business environment described in the given situation:

- i. **Social dimension:** The social dimension of business comprises the social forces such as customs, consumer tastes and preferences, values of society etc. In the given situation, there is a change in demand due to religious customs. As there is a tradition of burning firecrackers during Diwali, so the demand for firecrackers rises.
- ii. **Technological dimension:** Technological dimension of business comprises various innovations and advancements which improve the method and techniques of production. In the given situation, there is a technical improvement in the production of crackers.

Answer 16

- i. The type of organisational structure which is described is functional organisational structure. Functional organisational structure is the one wherein the activities of a

similar nature are grouped together in departments. All the departments, in turn, report to a head.

- ii. Two advantages of a functional organisational structure:
 - It promotes specialisation and thereby efficiency in production.
 - By dividing and grouping work, it ensures that there is no duplication of work, thereby avoiding wastages.
- iii. Functional organisational structure is suitable in an organisation when there are a large number of diversified activities which require high degree of specialisation.

Answer 17

- i. The element of direction which is best suitable in the given situation is motivation. Inducing the workers to work and perform as desired so as to achieve the goals of the organisation.
- ii. Motivation can be explained as follows:
Motivation starts with human need. As the need remains unsatisfied, restlessness or tension is created. The tension stimulates the person to search for such behaviour which would satisfy the need. As the need is satisfied, there is reduction or relief from tension.

Answer 18

- i. The element of marketing mix which is referred is 'branding'.
- ii. Branding has the following benefits for marketers:
 - It enables a business/organisation to differentiate its products from those of the competitors. In this way, it enables them to have a certain degree of control over the market.
 - It enables the process of advertising. Without branding, advertising cannot be done.
 - It enables the firm to follow differential pricing. That is, it allows the firm to charge a different price than that charged by the competitors.
 - It enables easy introduction of new products.

Answer 19

	<i>Primary Market</i>	<i>Secondary Market</i>
<i>Trading</i>	It deals in the sale of new securities.	It deals in trading of already existing securities.
<i>Involvement of company</i>	Securities are sold directly by the company to investors (through intermediaries).	Exchange of securities takes place between investors (without the involvement of the company).
<i>Price determination</i>	Price of securities is decided by the management of the concerned company.	Price of securities is determined by the forces of demand and supply.

<i>Buying and selling</i>	In a primary market, only purchase of securities can take place.	In a secondary market, both purchase and sale of securities take place.
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Answer 20

Planning plays a vital role in the success of an organisation. However, it is not always possible for the organisation to follow the pre-determined plans. Points highlighting the reasons which may lead to failure of planning:

- i. ***Creates rigidity***: Besides deciding what is to be done, planning defines the course of action to be followed. However, as the circumstances or situations, it may not be favourable to follow the predefined course of action. In other words, planning lacks flexibility which may make it difficult to deal with actual situations.
 - ii. ***May not work in changing business environments***: Various dimensions of business environment change continuously. The organisation must also continuously adapt to various changes which take place. However, a predefined course of action reduces the flexibility with managers, this in turn, adversely affects the organisation.
 - iii. ***Involves huge costs***: Planning involves huge costs in terms of time and money. Drafting detailed plans requires research and calculations which prove costly. Moreover, there are other expenses as well such as the expenses on meetings and discussions and investigations. All these expenses make the planning expensive in terms of money. In addition, drafting plans consume much time, such that at times little time is left for actual implementation.
 - iv. ***Dependence on previously successful plans***: Generally, managers rely on those plans which have proved successful in the past. However, as situations and circumstances change, new plans must be developed. A plan which proved successful in the past may not be helpful in the present situation. The plans must be developed and implemented keeping in mind the demand of the present situation.
- Despite the various limitations, planning is essential for an organisation. Though planning does not guarantee success, it acts as a guideline for the course of action which helps in smooth and systematic business operations.

Answer 21

- i. The incentive which would work best in the given situation is the non-financial incentive of status. Shreya can be given a designation in the organisation which is according to her work experience and knowledge.
- ii. Four other kinds of non-financial incentives:
 - ***Career opportunity***: Employees must be given ample opportunities to develop their skills and knowledge such that they are able to improve their career prospects. This can be done through training and development programmes.
 - ***Job enrichment***: Employees must be offered various tasks and responsibilities. In other words, the work must provide greater opportunities of growth and experience.

- **Security of job:** Employees need a certain degree of security of job in the sense that they must be certain about the income in the future. This would enable them to work with greater passion.
- **Participation in decision making:** Employees must be involved in decision making, especially in issues pertaining to them.

Answer 22

One of the important steps in the process of controlling is to identify the deviations from the predefined standards. The activities in an organisation are evaluated according to the pre-determined standards as defined by the plans. Because of certain factors, deviations from these standards may take place. These deviations must be identified so that corrective action can be taken such that the goals and objectives of the organisation are achieved. However, it must be remembered that everything in a business cannot be controlled every time. Deviations in areas of importance must be attended to with priority.

According to the principle of management by exception, control must be by exception. An attempt must not be made to control everything. It is based on the belief that controlling everything would result in controlling nothing. Accordingly, only those deviations must be acted upon which are significant (which are beyond a limit according to the standards). An acceptable range of deviation must be identified and those deviations should be highlighted which are beyond the acceptable range. If minor deviations are also highlighted and acted upon, then it might happen that the major deviations lose out on priority.

Answer 23

The term scientific management was coined by F. W. Taylor. According to Taylor, a scientific analysis of the work must be done so as to find the best method of doing it. Three principles of scientific management:

- Science not rule of thumb:** According to this principle, there can only be one best method of doing a task which would maximise efficiency. This method must be developed scientifically and then must be followed throughout the organisation. It would then replace the rule of thumb method.
- Harmony not discord:** According to this principle, workers and managers must be at harmony with each other. Both should value each other. While managers must share the benefits with workers, workers/employees must also work to the best of their capabilities and must willingly accept the changes which are required.
- Development of each person to greatest efficiency and prosperity:** According to this principle, efficiency in production depends on the competencies of personnel. Accordingly, employees must be selected by a scientific process wherein he is judged on various parameters. The tasks then assigned to him must be best suited to his capabilities.

Answer 24

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.

Basic objectives of financial planning:

- i. 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.
- ii. To ensure that there is no surplus or excess funding by the firm.

Points highlighting the importance of financial planning:

- i. Financial planning helps in predicting the future and accordingly helps in facing the business situations in a better manner.
- ii. By providing clear business policies, it helps in coordination of various functions of business.
- iii. Financial planning acts as a link between investment decisions and financing decisions.

Answer 25

- i. The aspect being described in the given case is labelling.
- ii. The following functions are performed by labelling:
 - A label describes the product and specifies its components or other useful information such as the caution to be taken while using it, the procedure of use etc.
 - It helps consumers in identifying the product. For instance, a picture of the product is printed on the package which makes identification easy. Similarly, the label provides other useful information as well such as the name of the manufacturer, weight of the product, maximum retail price etc.
 - It enables grading of the product in various categories. For instance, different features of the product are specified on the label.
 - A label helps in attracting customers, thereby enabling promotion of the product. Moreover, any information regarding sales promotion schemes is provided by the label.
 - Information as required by law is also provided by the label. For instance, it is mandatory for tobacco-producing companies to print a warning message on the packet of the product.