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**SAMPLE PAPER- 2 (solved)**  
**Business Studies**  
**Class – XII**

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Time allowed: 3 hours

Maximum Marks: 80

**General Instructions:**

- (i) Answers to questions carrying **1** mark may be from **one word** to **one sentence**.
  - (ii) Answers to questions carrying **3** marks may be from **50 – 75** words.
  - (iii) Answers to questions carrying **4 – 5** marks may be about **150** words.
  - (iv) Answers to questions carrying **6** marks may be about **200** words.
  - (v) Attempt all parts of a question together Marks are given at the end of each question.
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1. Different techniques were developed by Taylor to facilitate principles of scientific management. One of them is 'Fatigue Study'. What is the objective of this study?
  2. At which level of management are the managers responsible for maintaining the quality of output and the safety standards?
  3. Give any one advantage of external sources of recruitment.
  4. Why are the principles of management called universally applicable?
  5. Why is it said that 'controlling is a continuous activity'?
  6. What is included in 'Technological Environment' of Business?
  7. 'A good leader does not wait for opportunities but creates them'. Which quality of a good leader is highlighted by this statement?
  8. "Management is a group activity". Why?
  9. List the various reliefs available to consumers on his complaint.
  10. Explain how proper financial management helps in the growth of business.
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11. Distinguish between 'Primary' and 'Secondary' market on the basis of :
    - (i) Sale of Securities
    - (ii) Capital Formation
    - (iii) Determination of price
    - (iv) Location
  12. Vinod is working as a supervisor in a company. Due to his hard work, he is promoted to the post of Production Manager. Now the post of supervisor is vacant and no one can be transferred or promoted to this post. Name the source of recruitment the company will use to fill up this post. State any three advantages of using this source of recruitment.
  13. Explain any three points highlighting the importance of controlling.
  14. Distinguish between policies and procedures.
  15. 'Management is an intangible force'. Why?
  16. 'Demand for reservation in jobs for minorities' refers to an example of key components of general environment of business. Name and explain the component.
  17. Distinguish between delegation and decentralisation of authority on the following bases:
    - (a) Nature
    - (b) Purpose
    - (c) Freedom of Action
    - (d) Level of authority
  18. Briefly explain the characteristics of the principles of management.
  19. Investment decision can be long-term or short-term. Explain long-term investment decision and state any two factors affecting this decision.
  20. Describe briefly the first 4 steps involved in the process of staffing.
  21. Explain the following sales promotion activities:
    - (a) Discount
    - (b) Product Combination
    - (c) Financing
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(d) Lucky Draw

22. In spite of best efforts of managers, sometimes planning fails to achieve desired results due to its limitations. Explain any five limitations of planning.
23. Describe SEBI and also give protective functions of SEBI? Explain.
24. What is 'Decentralisation'? State any 4 points why decentralisation is important.
25. Differentiate between 'Marketing' and 'Selling'.

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**Solution (Based on NCERT)**

1. The main objective of fatigue study is to determine the amount and frequency of rest intervals in completing a task.
  2. Operational level or supervisory level of management.
  3. It provides wider choice and brings fresh energy and blood in the organisation.
  4. Management principles are universal because they are applicable to all types of organisations.
  5. Controlling is a continuous process. A manager continuously keep check on the working of subordinates that everything is done according to plans at all times.
  6. Technological environment is concerned with the production of goods and services with new approach and new procedures as well as new techniques and equipment.
  7. The Quality highlighted in this statement is 'Initiative'.
  8. Management is called a group activity because success of the management is depend upon the contribution and co-operation of the employees. It is difficult to accomplish the stated objectives without the human beings.
  9. Following reliefs are available to consumers:
    - (a) Removal of defects
    - (b) Replacement of goods
    - (c) Refund of price
    - (d) Award of compensation
    - (e) Removal of deficiency in service
    - (f) Discontinuance of unfair/restrictive trade practice
  10. Financial management is concerned with arrangement of funds and effective utilization of it. It is concerned with planning and controlling of financial resource. For proper utilization of financial resources, it is important to identify the different available resources of finance, their costs and risks involved. Financial management plays important role in reducing the cost of funds. It also keep risk under control and helpful in effective deployment of such funds.
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Finance so procured needs to be invested in a manner that return from such investment should be more than the cost of raising funds.

11. Difference between primary and secondary market:

Primary market	Secondary market
(i) There is sale of securities by new companies or further (new issues of securities by existing companies to investors). Securities are sold by the company to the investor directly (or through an intermediary).	(i) There is trading of existing shares only. ) Ownership of existing securities is exchanged between investors. The company is not involved at all.
(ii) The flow of funds is from savers to investors, i.e. the primary market directly promotes capital formation.	(ii) Enhances encashability (liquidity) of shares, i.e. the secondary market indirectly promotes capital formation.
(iii) Prices are determined and decided by the management of the company.	(iii) Prices are determined by demand and supply for the security.
(iv) There is no fixed geographical location.	(vi) Located at specified places.

12. Company will use external sources of recruitment:

Advantages :

**(i) Qualified Personnel:** External recruitment is the best way to attract qualified and trained people to apply for vacant jobs in the enterprise.

**(ii) Wider choice:** External recruitment provides wide choice and brings new blood in the enterprise. It gives the management a wider range of candidates from which to choose.

**(iii) Fresh Talent:** Sometimes present employees may be insufficient or they may not fulfill the specifications of the jobs to be filled. External recruitment brings fresh talent in the enterprise.

**(iv) Competitive spirit:** Existing employees will work harder to show better performance and they will try to prove that they are better than the new employees. External recruitment

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develops competitive spirit among the existing staff because they will have to compete with the outsiders.

13. Importance of controlling:

**Accomplishing organizational goals:** Controlling plays an important role in the achievement of organizational goals. Organizational goals can be achieved only if all activities are going according to the plan. Through planning managers ensure that all activities are taking place according to the plans and also measure that organization is progressing towards its goals. If there is any deviation they take corrective action.

**Judging accuracy of standards:** Controlling helps in comparing and verifying the process of actual performance with the planned performance. It is also helpful in evaluating the performance of individual department and the overall performance of the enterprise. An efficient control system is necessary to keep a careful check on the changes taking place in the organization and in the environment, so that standards can be revised in the light of such changes.

**Making efficient use of resources:** Controlling plays an important role in reducing the wastage and spoilage of resources and ensures that resources of an organization i.e. Technical, human, financial resources etc., are being used effectively and efficiently for the achievement of predetermined goals.

14. Difference between procedures and policies:

Basis	Procedure	Policy
Meaning	Procedures are routine steps on how to carry out activities.	A policy is a guide for thinking.
Need	Needed for implementation of policies.	Need for achieving objectives.
Steps involved	It involves various steps.	It does not involve steps because it is a general statement.

15. Management an intangible force it means it has no physical form but its presence can be felt in the way the organization functions. Its functioning is not visible but its result is ultimate. It influences behaviour in the sense that it affects the way people view their work and how they actually perform the work. Management plays important role in establishing two way

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communication, inspiring leadership and creating strong motivational environment in the organisation.

*Example:*

- a) Attainment of targeted production
- b) Plan of action
- c) To keep employees happy and satisfied
- d) Orderliness instead of chaos

16. Social environment includes social forces i.e. values, social trends, customs, traditions and society's expectations from business etc. if any business organization does not adapt the social environment then it will lead to the dissatisfaction among its customers and rejection of its products.

Examples:

- Values provide freedom of choice in the market.
- Make a business responsible towards the society.
- Social trends present various opportunities and threats to business enterprises.
- For example; Increase in demand for products like organic food, Gyms, Bottled (mineral) water etc.

17. Difference between delegation and decentralisation:

Basis	Delegation	Decentralization
Nature	Delegation is necessary because no individual can perform all tasks on his own.	Decentralization is not necessary.
Freedom of action	Less freedom to subordinates to take own decisions.	More freedom to subordinates to take their own decisions.
Purpose	The main purpose is to reduce the burden of the manager.	The main purpose is expansion of authority in an organisation.
Level of authority	Authority is given to the subordinates to take related decisions.	Except some, authorities are delegated permanently to subordinates.

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18. **Characteristics of Principles of management:**

- (1) **Universal applicability:** The principles of Management are universal; it means they are applicable to all type of organizations i.e. small or large, business or non-business, manufacturing or service provider, social, political, religious organization etc. Applicability of these principles would vary with the nature of the organization, nature of business activities and scale of operations etc. Manager must ensure that work is divided into small tasks and each employee should be trained to perform his specialized job.
- (2) **General guidelines:** Management principles are not readymade; they do not provide solutions to all types of managerial problems. They have to be developed time to time through careful observation and experimentation as per the needs and requirement of an organization. This is so because real business situations are very complex and dynamic and are a result of many factors.
- (3) **Formed by practice and experimentation:** Principles of management are formed by practice, experience and experimentation.
- (4) **Flexible:** Principles of management are flexible because management is social science. These principles are not rigid as those of chemistry and physics. These principles can be modified by the managers as per the needs and requirements of the situation.

19. **Long term investment decision:** A long term investment decision is also known as 'Capital Budgeting Decision'. It involves investment of finance on a long term basis. These decisions are very important because they affect its earning capacity in the long term.

*Examples:*

- Purchase of new machinery to replace old machinery.
- Acquiring a new fixed asset.
- Opening a new branch.

Factors affecting :

**(i) Cash flows of the project:** When a company takes decision to invest a huge amount, it expects to generate some cash flows (inflows and outflows) over a period. These cash flows are concerned with the cash receipts (inflows) and cash payments (outflows) over the life of

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an investment. Company must analyze these flows before considering a capital budgeting decision.

**(ii) The rate of return:** Company must give priority to the project in which less risk and high return is involved. For example, there are two projects A and B. Same risk is involved in both the projects. Project A may provide 10% return whereas project B may provide 12% return respectively. In such a situation, company must select project B.

20. **Steps involved in the process of staffing:**

**(i) Estimating the manpower requirements:** It is concerned with estimating the number and types of persons required in an enterprise in case of starting a new enterprise or expanding the existing business. The main purpose is to know that how many employees are required, how many employees the organization already has and how many more employees will have to be appointed.

**(ii) Recruitment:** Recruitment plays important role in attracting number of candidates to apply for given job. It is a process of searching prospective employees and attracting them for the vacant job. Job description and expected profile of candidate is used to develop the advertisement for the vacant position.

**(iii) Selection:** Selection means choosing the best candidate out of the pool of prospective candidates, developed through recruitment.

- ❖ Selection ensures that only best candidate is selected among the available.
- ❖ It enhances the self esteem and prestige of selected candidate and realise him that how seriously things are done in the organization.

**(iv) Placement and orientation:** Placement means placing the right candidate on the right job for which he is selected. When a new employee is placed in an organization, he is given a brief presentation about the company and is introduced to his superiors, subordinates and the colleagues. He gets a brief introduction about the company, his job, other jobs, rules & regulations, policies and products of the company. It helps in inducting a new employee into the enterprise smoothly.

21. **Sales promotion activities:**

**Discount:** Offering products at less than list price. Example, a shoe company's offer of 'Discount Up to 50%' or a shirt marketer's offer of '50+40% Discount'.

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**Product Combinations:** Offering another product as gift along with the purchase of a product, say offer of a pack of ½ kg of rice with the purchase of a bag of Aatta (wheat flour), or 'Get 128 KB Memory Card Free with a Digicam' or Buy a TV of 25+ and Get a Vacuum Cleaner Free' or '100 Gm Bottle of Sauce Free With 1 kg Detergent.'

**Financing:** Many marketers of consumer durables such as Electronic goods, automobiles etc offer easy financing schemes such as '24 easy instalments, Eight Up Front and 16 To Be Paid as Post Dated Cheques'. However, one should be careful about the file charges, which sometimes is nothing but interest recovered in advance.

**Lucky Draw:** For example, the offer of a bathing soap to win a gold coin on lucky draw coupon for free petrol on purchase of certain quantity of petrol from given petrol pump or lucky draw coupon on purchase of easy undergarment and win a car offer.

22. Limitations of planning:

**(i) Planning leads to rigidity:** Plans are made in the beginning to decide the future course of action and manager may not be in a position to change it because they are likely to insist on strict compliance with pre-determined plans. This kind of rigidity in plans may create difficulty in the smooth functioning of an organization. Plans should be flexible so that managers can modify them according to the situation.

**(ii) Planning reduces creativity:** Planning is the primary function of top management in which middle management and lower management people do not participate usually they just implement these plans. They cannot modify it and are not permitted to act on their own. Thus, there is no scope for creativity and innovation and much of the initiative or creativity inherent in them also gets lost or reduced. In planning there is nothing new or innovative because most of the time workers do not even attempt to formulate plans and they only carry out orders.

**(iii) Planning involves huge costs:** Management spends a lot of money and time during planning process. Sometimes companies hire experts and professionals from outside to carry on this process. Company pays a huge amount to these professionals and spends lot of time to collect accurate facts and figures. So planning is expensive or cost consuming process.

**(iv) Planning may not work in a dynamic environment:** The business environment is dynamic, nothing is constant. The environment includes number of factors i.e. political, economic, social and legal factors. It is very difficult to judge the future environment for

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example, any time government may modify its economic policies, natural disasters or calamity and political conditions etc. may change business environment any time. Competition in the market can affect the financial planning and sales targets of the firm.

23. SEBI :

The Securities and Exchange Board of India was established by the Government of India on 12 April 1988 as an interim administrative body to promote orderly and healthy growth of securities market and for investor protection. It was to function under the overall administrative control of the Ministry of Finance of the Government of India. The SEBI was given a statutory status on 30 January 1992 through an ordinance. The ordinance was later replaced by an Act of Parliament known as the Securities and Exchange Board of India Act, 1992.

**Protective Functions of SEBI**

1. Prohibition of fraudulent and unfair trade practices like making misleading statements, manipulations, price rigging etc.
2. Controlling insider trading and imposing penalties for such practices.
3. Undertaking steps for investor protection.
4. Promotion of fair practices and code of conduct in securities market.

24. Decentralisation:

Decentralization of authority means systematic dispersal of authority in all departments and at all levels of management. Decentralization is concerned with sharing authority with lower levels. It reduces the burden of top executives and avoids unnecessary delays in action. Subordinates are well aware of the realities of situation and they can take accurate and faster decisions. Decentralization explains the manner in which decision making responsibilities are divided among hierarchical levels.

**Importance of Decentralisation**

**(i) Develops initiative among subordinates:** Decentralisation motivates lower level employees to take to take decisions in favour of organization regarding the problems they face. It promotes self reliance and confidence among the subordinates and encourages them to take initiative and show their talent and skills.

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**(ii) Develops managerial talent for the future:** When authority is decentralized, employees get a chance of using their own judgments. They learn and understand that how to take decisions in various situations. This leads to develop their managerial skills.

**(iii) Quick decision making:** Decentralisation of authority provides freedom to subordinates to take decisions in favour of organisation. As a result, more accurate and faster decision can be taken by the subordinates. Decision can be taken much faster because no approval is required from the top management. It avoids unnecessary delays and overlapping of activities and wastage of resources.

**(iv) Relief to top management:** In the process of decentralization top level managers are not over burdened with the responsibilities and authority.

**(v) Facilitates growth:** Decentralisation results in the growth and diversification of the enterprise. It provides more freedom to the subordinates which motivate them to do the work in effective manner best suited for their department.

25. **Difference between marketing and selling:**

**(i) Part of the Process vs Wider Term:** Selling is only a part of the process of marketing and is concerned with promoting and transferring possession and ownership of goods from the seller to the buyer. Marketing is a much wider term consisting of number of activities such as identification of the customer's needs, developing the products to satisfy these needs, fixing prices and persuading the potential buyers to buy the same. Thus, selling is merely a part of marketing.

**(ii) Transfer of Title vs Satisfying Customer Needs:** The main focus of selling is on affecting transfer of title and possession of goods from sellers to consumers or users.

In contrast, marketing activities put greater thrust on achieving maximum satisfaction of the customer's needs and wants.

**(iii) Profit through Maximising Sales vs Customer Satisfaction:** All selling activities are directed at maximising sales and, thereby, the profits of the firm. In other words, the emphasis is on profit maximisation through maximisation of sales. Marketing, on the other hand, is concerned with customer satisfaction and thereby increasing profit in the long run. A marketing organisation, thus, attaches highest importance to customer satisfaction as a route to profit maximisation.

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**(iv) Start and End of the Activities:** Selling activities start after the product has been developed while, marketing activities start much before the product is produced and continue even after the product has been sold.

**(v) Difference in the Emphasis:** In selling, the emphasis is on bending the customer according to the product while in marketing, the attempt is to develop the product and other strategies as per the customer needs.

**(vi) Difference in the Strategies:** Selling involves efforts like promotion and persuasion while marketing uses integrated marketing efforts involving strategies in respect of product, promotion, pricing and physical distribution.

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