
SAMPLE PAPER- 1 (solved)
Business Studies
Class – XII

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. Why is it said that management principles are universal.
 2. Identify the nature of management when it is said to be a systematised body of knowledge that explains certain general truths.
 3. What do you mean by External Sources of Recruitment.
 4. List any two principles of 'Scientific Management' formulated by Taylor for managing an organisation scientifically.
 5. Why is it said that 'Controlling is looking back'?
 6. Business environment includes both 'Specific and General Forces'. List any four specific forces.
 7. "Leadership is required only for less efficient subordinates". Do you agree? Explain any four reasons in support of your answer.
 8. 'Identifying and dividing the work' is the first step in the process of one of the functions of management. Identify the function.
 9. Explain any three rights available to consumer under the consumer Protection Act.
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10. Explain in brief, any three decisions involved in financial management.
 11. Explain the following money market instruments:
 - (a) Commercial papers
 - (b) Commercial Bill
 12. Explain concept of 'Recruitment' and 'Selection' in the process of staffing.
 13. Does control help in 'Judging the accuracy of Standards' and 'improving motivation of the employees'? Explain.
 14. Explain, how 'Planning' is a mental exercise.
 15. Management is considered to be both an art and science. Explain.
 16. Explain four impacts of Government policy changes on Business/Industry in India.
 17. State any four advantages of formal organisation.
 18. Discuss the 'Motion Study' and 'Fatigue Study' techniques of Taylor.
 19. Explain briefly the factors affecting the investment decision.
 20. Explain briefly internal sources of recruitment.
 21. Advertising and Personal Selling both are communication tools used by the marketers to promote their products. Yet they differ in their approach. Differentiate between the two by giving any five differences.
 22. Distinguish between Standing Plans and Single use plans.
 23. Explain the meaning of Capital Market, Primary Market and Secondary Market.
 24. Explain the merits and demerits of formal organisation.
 25. What is Packaging? Give any five points explaining why packaging is important.
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Solution (Based on NCERT)

1. 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.
2. Management as a science
3. Inviting applications for filling up the vacancies from candidates outside the organisation.
4. (i) Harmony, not discord (ii) Science, not rule of thumb
5. Controlling is looking back because under it, a manager tries to find out whether the work has been done according to the standards or not.
6. Customers, suppliers, competitors and investors.
7. No, I do not agree with this statement because leadership is needed for all. It helps in influencing the behaviour of people.
8. Organising function of management
9. Rights available to consumers:

Right to Safety: The consumer has a right to be protected against goods and services which are hazardous to life and health. For instance, electrical appliances which are manufactured with substandard products or do not conform to the safety norms might cause serious injury. Thus, consumers are educated that they should use electrical appliances which are ISI marked as this would be an assurance of such products meeting quality specifications.

Right to Choose: The consumer has the freedom to choose from a variety of products at competitive prices. This implies that the marketers should offer a wide variety of products in terms of quality, brand, prices, size, etc. and allow the consumer to make a choice from amongst these.

Right to be Heard: The consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or a service. It is because of this reason that many enlightened business firms have set up their own consumer service and grievance cells. Many consumer organisations are also working towards this direction and helping consumers in redressal of their grievances.

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10. **Investment Decision:** This decision is concerned with the careful selection of assets in which company will invest its funds. Investment decision may be of two types i.e. long term and short term. 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. A short term investment decision is also known as 'Working Capital' decision. These decisions are directly concerned with the levels of cash, inventory and receivables.

Financing Decision: This decision is about the quantum of finance to be raised from various long term sources i.e. debt and equity. It helps in identifying the different available sources. The main source of funds are (i) Borrowed funds (ii) Shareholders funds.

Dividend Decision: Every financial manager has to take this important decision related to the distribution of dividend. A company may share some part of its profit with shareholders which is known as dividend. Before taking decision regarding dividend, company must keep in view the overall objective of maximizing shareholder's wealth.

11. **Commercial Paper:** Commercial paper is a short-term unsecured promissory note, negotiable and transferable by endorsement and delivery with a fixed maturity period. It is issued by large and creditworthy companies to raise short-term funds at lower rates of interest than market rates. It usually has a maturity period of 15 days to one year. The issuance of commercial paper is an alternative to bank borrowing for large companies that are generally considered to be financially strong. It is sold at a discount and redeemed at par.
- Commercial Bill:** A commercial bill is a bill of exchange used to finance the working capital requirements of business firms. It is a short-term, negotiable, self-liquidating instrument which is used to finance the credit sales of firms. When goods are sold on credit, the buyer becomes liable to make payment on a specific date in future. The seller could wait till the specified date or make use of a bill of exchange.

12. Recruitment and Selection

Basis	Recruitment	Selection
Concerned with	Recruitment is concerned with searching and motivating the people to apply for a job.	Selection is concerned with choosing the suitable candidates and rejecting the unsuitable candidates.

Positive Vs Negative	Recruitment is a positive process.	Selection is a negative process.
Simple Vs Complex	Recruitment is a simple process.	Selection is a complex process.
Stage	It precedes selection process.	It starts after recruitment.

13. Control helps in :

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.

Improving employee motivation: A good control system communicates the goals and standards to employees well in advance. An effective control helps in removing the weaknesses of the employees so that they can contribute the best of their efforts. It motivates them and helps them to give better performance.

14. **Planning is a mental exercise:** Planning is a intellectual activity of thinking rather than doing. Planning is the thinking process, the organized foresight, the vision based on facts and experience that is required for intelligent action. It is fundamentally a mental predisposition to do things in an orderly way, to think before acting and to act in the light of the facts rather than of guesses. it requires application of the mind involving foresight, intelligent imagination and sound judgment. Planning is an intellectual activity and requires certain conceptual skills to look ahead into the future.

15. Management is both art and science. A successful manager should have knowledge of management principles and skills to apply knowledge. Absence of either will result into failure or inefficiency.

Management is both art and science because :

- Practice of management is art
 - It is a science because it make systematic use of the organized knowledge
 - Based on observation and experimentation
 - Science involves experiment and analysis
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➤ Art involves application

Management as science and art are not mutually exclusive but complementary to each other.

16. Impact of Government policy changes:

(i) Increasing Competition: These days' Indian firms are facing cut throat competition not only from the domestic firms but also from the MNCs (Multinational Companies). The competition has increased especially in the service industries i.e. insurance, banking, telecommunications, airlines etc. a large number of small scale units have closed down due to economic reforms.

(ii) More Demanding Customers: Due to increase in competition customers' demand is changing time to time because of availability of better quality goods and service in the market. This is the positive effect of economic reforms that customers have become more demanding these days. All business firms are following the concept of customer satisfaction by providing them proper information about the use and features of the product.

(iii) Technological advancement: There is a rapid change in the technological environment. Companies are upgrading their technology to meet the competition. By using advance technology companies provide better quality goods at lower cost and maintains their foothold in the market. There is challenge for Small firms to survive in this competition because they cannot afford the high cost of advance technology.

(iv) Entry of New Players: The economic reforms encouraged the emergence of new companies, services and manufacturing Industries and the Elimination and Outsourcing of Non-Value-Added Services.

17. Advantages of Formal Organisation

(i) Fixation of responsibility: It is easy to specify the authority and responsibilities relationships and responsibilities can be fixed easily.

(ii) No conflicts: Role of each and every member is clearly defined. This helps in avoiding duplication of work and conflicts among the employees.

(iii) Unity of Command: It helps in maintaining the unity of command because subordinates are aware that who has to report to whom.

(iv) Achievement of objectives: It provides a framework for the operations to be performed and lays down the rules and procedures essential for achieving the organizational objectives. It leads to effective accomplishment of organizational objectives.

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18. **Motion Study:** Motion study is concerned with the close observation of the movements of a worker's body (lifting, putting objects, sitting and changing positions etc.) involved in performing a job. The main purpose of motion study is to avoid the wasteful motions or unnecessary movements and determine the best way of doing a job so that it will take less time to complete the work effectively and efficiently.

According to Frank Gilbreth, "*Motion study is the science of eliminating wastefulness resulting from using unnecessary, ill-directed and inefficient motions. The aim of motion study is to find and perpetuate a scheme of best method of work*".

Fatigue Study: Fatigue arises when a worker keeps on working without getting rest. Fatigue adversely affects health and efficiency. Rest intervals will help a worker to regain energy and work again with the same capacity. It will help in increasing the efficiency and productivity. The main purpose of fatigue study is to determine and set the time of rest intervals in completing a task.

19. **Factors affecting capital investment decision**

(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 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. **Internal source:**

(i) Transfers: Transfer is the process of shifting one employee from one job to another, one department to another or from one shift to another. Transfer is a good source of filling the vacancies with employees from over-staffed departments. It does not affect the responsibilities and status of the employee. It does not affect salary of the employee but lead to change in working conditions, duties and responsibilities etc. Transfer is a horizontal shifting of employees.

(ii) Promotions: Promotion is the process of filling higher positions by promoting employees from lower levels. Only capable and competent employee should be promoted to

a higher position. Promotion leads to higher position, higher responsibilities, facilities, status and salary. Promotion is a great source of motivation, loyalty and satisfaction level of employees. Promotion is a vertical shifting of employees.

21. Advertising Vs Personal Selling

Advertising	Personal selling
1. Advertising is an impersonal form of communication.	Personal selling is a personal form of communication.
2. Advertising involves transmission of standardised messages, i.e., same message is sent to all the customers in a market segment.	In personal selling, the sales talk is adjusted keeping view customer's background and needs.
3. Advertising is inflexible as the message can't be adjusted to the needs of the buyer.	Personal selling is highly flexible. As the message can be adjusted.
4. It reaches masses, i.e., a large number of people can be approached.	Only a limited number of people can be contacted because of time and cost considerations.
5. In advertising the cost per person reached is very low.	The cost per person is quite high in the case of personal selling.

22. Standing Plan Vs Single use plan:

Single use plans	Standing plans
1. Single use plans are non-recurring plans which are used only once.	1. Standing plans can be used again and again.
2. Single use plans are designed for a particular situation.	2. Standing plans are the guidelines which play important role in smooth functioning of a firm.
3. Single use plans are not stable; once they are used they are discarded.	4. Standing plans are stable because they can be used in different situations.
4. Main examples of Single use plans are;	4. Main examples of Standing Plans are:

Programme, Budget, Method etc.	Policy, Rule, Strategy, Objectives, Procedure etc.
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23. Capital market : The term capital market refers to facilities and institutional arrangements through which long-term funds, both debt and equity are raised and invested. It consists of a series of channels through which savings of the community are made available for industrial and commercial enterprises and for the public in general. It directs these savings into their most productive use leading to growth and development of the economy. The capital market consists of development banks, commercial banks and stock exchanges.

Primary Market: The primary market is also known as the new issues market. It deals with new securities being issued for the first time. The essential function of a primary market is to facilitate the transfer of investible funds from savers to entrepreneurs seeking to establish new enterprises or to expand existing ones through the issue of securities for the first time. The investors in this market are banks, financial institutions, insurance companies, mutual funds and individuals.

Secondary Market: The secondary market is also known as the stock market or stock exchange. It is a market for the purchase and sale of existing securities. It helps existing investors to disinvest and fresh investors to enter the market. It also provides liquidity and marketability to existing securities. It also contributes to economic growth by channelising funds towards the most productive investments through the process of disinvestment and reinvestment. Securities are traded, cleared and settled within the regulatory framework prescribed by SEBI.

24. Merits and Demerits of formal organisation:

Advantages of Formal Organisation

(i) Fixation of responsibility: It is easy to specify the authority and responsibilities relationships and responsibilities can be fixed easily.

(ii) No conflicts: Role of each and every member is clearly defined. This helps in avoiding duplication of work and conflicts among the employees.

(iii) Unity of Command: It helps in maintaining the unity of command because subordinates are aware that who has to report to whom.

(iv) Achievement of objectives: It provides a framework for the operations to be performed and lays down the rules and procedures essential for achieving the organizational objectives. It leads to effective accomplishment of organizational objectives.

(v) Stability: It provides stability to enterprise because there are specific rules and guidelines to predict the behaviour of employees.

Limitations/Disadvantages of Formal Organisation

(i) Delay in action: Because of chain of command it is difficult to take quick decisions and it may lead to procedural delays.

(ii) Lack of Initiative: People may not take initiative because of poor organization practices. It may not provide adequate recognition to creative talent because of rigid policies and procedures.

(iii) More emphasis on work: It ignores human element because it emphasize on structure and work. It does not provide the complete picture of how an organization works.

25. **Packaging:** The act of designing and producing the container or wrapper of a product is referred as packaging. There can be three different levels of packaging. viz Primary package, Secondary packaged, Transport package. Packaging performs a number of functions in the marketing of goods.

(i) Rising Standards of Health and Sanitation: Because of the increasing standards of living in the country, more and more people have started purchasing packed goods as the chances of adulteration in such goods are minimised.

(ii) Self Service Outlets: The self-service retail outlets are becoming very popular, particularly in major cities and towns. Because of this, some of the traditional role assigned to personal selling in respect of promotion has gone to packaging.

(iii) Innovational Opportunity: Some of the recent developments in the area of packaging have completely changed the marketing scene in the country. For example, milk can now be stored for 4-5 days without refrigeration in the recently developed packing materials. Similarly, in the area of pharmaceuticals, soft drinks, etc., lots of new innovations have come in respect of packaging. As a result, the scope for the marketing of such products has increased.

(iv) Product Differentiation: Packaging is one of the very important means of creating product differentiation. The colour, size, material etc., of package makes real difference in the perception of customers about the quality of the product. For example, by looking at the package of a product say Paint or Hair Oil, one can make some guess about quality of the product contained in it.
