

CBSE
Class XII Business Studies
All India Board Paper Set 3 – 2013

Time: 3 hrs

Max. Marks: 90

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.

General Instructions:

- (i) All questions in both the sections are compulsory.
- (ii) Marks for questions are indicated against each question.
- (iii) Questions Nos. **1 – 12** are very short-answer questions carrying **1** mark each. They are required to be answered in one sentence each.
- (iv) Questions Nos. **13– 18** are short answer questions carrying **3** marks each. Answers to them should normally not exceed **50 – 75** words each.
- (v) Questions Nos. **19 – 22** are also short answer questions carrying **4** marks each. Answers to them should normally not exceed **150** words each.
- (vi) Question Nos. **23 – 26** are long-answer questions carrying **5** marks each. Answers to them should normally not exceed **150** words each.
- (vii) Question Nos. **27 – 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.

1. To see whether plans are implemented and activities are being performed according to schedule', is a step of planning process. Identify the step. **[1]**
2. Define organising as a function of management. **[1]**
3. Identify the type of suitable organisation structure for a large organisation having diversified activities requiring high degree of specialisation in operations. **[1]**

4. What is meant by 'Principles of Management'? [1]
5. State how staffing ensures 'continuous survival and growth of the enterprise'. [1]
6. Name and state the 'on-the-job method of training' that is used to give training to the electricians. [1]
7. What is meant by 'Democratic style of leadership'? [1]
8. What is meant by 'Motivation'? [1]
9. State the essential function of a 'primary market'. [1]
10. Name two alternative mechanisms through which allocation of funds can be done. [1]
11. What is the advantage of registering 'trade mark'? [1]
12. State the meaning of 'Product Promotion' function of packaging. [1]
13. After setting the performance standards the next step in the controlling process is the 'measurement of actual performance'. Explain this step in the process of controlling. [3]
14. Explain how controlling helps in:
 - a. Accomplishing organisational goals
 - b. Judging accuracy of standards[3]
15. Explain any three functions of Financial Market. [3]
16. State any three 'Development Functions' of Securities and Exchange Board of India (SEBI). [3]
17. Explain any three points of importance of consumer protection from the point of view of consumers. [3]
18. State any six responsibilities of a consumer which should be kept in mind while purchasing the goods. [3]
19. Sahil, the director of a garments company, is planning to manufacture bags for the utilisation of waste material of one of his garments units. He decided that this manufacturing unit will be set up in a rural area of Odisha where people have very less job opportunities and labour is available at very low rate. He also thought of giving equal opportunities to men and women.
For this he selected S. Chatterjee, Inderjeet Kaur, Aslam and Sarabjeet as heads of Sales,

Accounts, Purchase and Production departments.

- i. Identify and state the next two steps that Sahil has to follow in the staffing process after selecting the above heads.
- ii. Also, identify two values which Sahil wants to communicate to the society by setting up this manufacturing unit. [4]

20. What is meant by financial planning? State any three points of its importance. [4]

21. Explain any four factors which affect the working capital requirement of a company. [4]

22. Explain any four factors which affect the 'Dividend Decision' of a company. [4]

23. State any five points which highlight the important of management. [5]

24. Nikita and Salman completed their MBA and started working in a multinational company at the same level. Both are working hard and are happy with their employer. Salman had the habit of backbiting and wrong reporting about his colleagues to impress his boss. All the employees in the organisation knew about it. At the time of performance appraisal the performance of Nikita was judged better than Salman. Even then their boss, Mohammad Sharif, decided to promote Salman, stating that being a female, Nikita will not be able to handle the complications of the higher post.

- i. Identify and explain the principle of management which was not followed by this multinational company.
- ii. Identify the values which are being ignored quoting the lines from the above para.[5]

25. The court passed an order to ban polythene bags as

- i. These bags are creating many environmental problems, which affect the life of people in general.
- ii. Society, in general, is more concerned about the quality of life. The government decided to give subsidy to jute industry to promote this business. Innovative techniques are being developed to manufacture jute bags at low rates. Incomes are rising and people can afford to buy these bags. [5]

Identify the different dimensions of business environment by quoting the lines from the above particulars.

26. Explain any five point's importance of planning. [5]

27. Give the meaning of 'Informal Organisation' and state any five features of it.

OR

Give the meaning of essential elements of 'Delegation' [6]

28. Explain the following non-financial incentives.

- i. Status

- ii. Organisational climate
- iii. Career advancement opportunities

OR

Explain any four psychological barriers to effective communication. **[6]**

29. 'Choice of an appropriate channel of distribution is a very important marketing decision which depends on various factors'. Explain any three such factors.

OR

Pricing of a product is an important and effective competitive weapon in marketing which depends upon various factors. Explain any three such factors. **[6]**

30. Explain the role of 'Advertising' in marketing management.

OR

Explain the role of 'Public Relations' in marketing management. **[6]**

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Answer 1

The step discussed in the question is follow-up action.

Answer 2

Organising refers to the procedure wherein various activities in an organisation are aligned in order. It comprises defining the roles of various personnel and directing them to work towards the goals and objectives of the organisation.

Answer 3

Functional structure is suitable for a large organisation having diversified activities requiring a high degree of specialisation in operations.

Answer 4

Principles of management are the guidelines for the decision making and behaviour of management.

Answer 5

Staffing refers to the process of filling job positions in an organisation and maintaining the positions so filled. Proper staffing ensures that the most competent and efficient people are employed for various tasks. In this way, it helps in the survival and overall growth of an organisation.

Answer 6

Apprenticeship training is used to give training to electricians. Under such training, workers are made to work with a master worker who provides them the required skills for the job. After a pre-defined amount of time, the workers are then gradually shifted to work themselves.

Answer 7

Democratic leadership is the style where decisions are taken by the leader after consultation with subordinates. Under this style, subordinates are involved in the decision-making process.

Answer 8

Motivation refers to the process of inducing employees to work towards the desired goals and objectives. In other words, it implies encouraging workers to work to the best of their capabilities towards the common goals and objectives of the organisation.

Answer 9

The essential function of the primary market is that it facilitates the transfer of funds from savers to investors.

Answer 10

Two alternative mechanisms through which funds can be allocated are financial markets and banks.

Answer 11

The advantage of registering a trademark is that the person who has registered the trademark has the legal right to use it.

Answer 12

Packaging performs the function of product promotion by providing information regarding the product (brand name, nutrition details or catchphrases like 'new' or 'improved' on the package), thereby attracting customers.

Answer 13

After setting the performance standards, the next step in the controlling process is the measurement of actual performance. For this, various techniques can be used such as personal observation and performance reports. This measurement should be exact and reliable such that it facilitates easy comparison with the set standards. Moreover, the measurement of performance can be at various stages in the activity or at the completion of the activity.

Answer 14

1. **Accomplishing Organisational Goals:** Controlling ensures that various activities are performed correctly according to the plans. It ensures that deviations if any are identified and appropriate corrective action is taken.
2. **Judging Accuracy of 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.

Answer 15**Functions of financial market:**

- i. **Mobilising savings:** The financial market acts as a channel for mobilising savings to productive use. This is done by providing savers a platform for transferring investment. It provides savers a wide choice in investment. In this way, it ensures that funds are directed towards the most productive investment.
- ii. **Establishing price:** The financial market facilitates the interaction between those who demand securities (households) and suppliers of securities (business firms). This helps in establishing a competing price for securities.
- iii. **Providing liquidity to assets:** By easing the process of sale and purchase of securities, the financial market provides liquidity to securities. That is, through the financial market, securities can be easily converted to cash.

Answer 16

Development functions of SEBI:

- i. **Training:** SEBI provides training and development programmes for intermediaries of the securities market. This helps in promoting healthy growth of the securities market.
- ii. **Research:** SEBI conducts research on various important areas of the securities market, which are then published. The reports of SEBI help investors and other market players in decision making with regard to investment.
- iii. **Flexible Approach:** SEBI has adopted a flexible approach towards various activities of the securities market. For instance, it has permitted internet trading and IPOs. This encourages the development of the capital market.

Answer 17

Importance of consumer protection from the point of view of consumers:

1. **Consumer Ignorance:** In India, consumers are unaware about their rights and available reliefs, so it becomes important to educate them about the same.
2. **Consumer Exploitation:** In India, consumer organisations and NGOs are few and not that powerful, implying the need of protecting consumers.
3. **Unorganised Consumer Group:** Sellers are engaged in exploitative and unfair trade practices to increase sales, implying the need for consumer protection.

Answer 18

Responsibilities of a consumer:

- i. **Awareness:** A consumer must be aware of the availability of various goods and services so that he can take wise decisions.
- ii. **Looking for Quality Marks:** A consumer must always purchase goods and services which have the concerned quality certification marks. For instance, they must look for the ISI mark on electrical goods and the AGMARK on agricultural goods.
- iii. **Asking for Cash Memo:** For every purchase of a good or service, a consumer must always ask for a cash memo or bill. The bill is the proof of purchase and can be used for reference purposes.
- iv. **Reading Labels:** A consumer must always look and read carefully the labels providing information about the product such as price, weight and expiry date of the product.
- v. **Honest Transactions:** A consumer must always indulge in honest business transactions and should discourage illegal trade practices such as black marketing and hoarding.
- vi. **Ensure Safety:** A consumer must always ensure his own safety. He must carefully read the instruction manuals provided by the manufacturer before using the product.

Answer 19

- i. Next two steps which Sahil should follow after selecting the heads:
- a. **Induction and Placement:** When a candidate is selected, the induction and placement process take place. Under the induction process, candidates are briefed about the workplace, their colleagues and manager. In other words, the employee is made familiar with the work environment. Similarly, placement refers to actually occupying the position by the selected employee.
- b. **Training and Development:** Training involves improving the competence of employees required for performing the job. On the other hand, development focuses on the overall enrichment of employees. Proper training and development in the organisation provide opportunities to employees for overall growth and career development.
- ii. Values which Sahil wants to communicate to society by setting up this manufacturing unit:
 - a. Development of rural area
 - Gender equality

Answer 20

Financial planning involves identifying sources from where funds can be obtained and ensuring that the required funds are available to the firm as and when needed. A basic objective of financial planning is to ensure neither a shortage nor an excess of funding.

Importance of financial planning in an organisation:

- i. Financial planning helps in forecasting the future. For instance, with the help of financial planning, forecasting whether an expansion would be beneficial in terms of sales and profits is possible.
- ii. It would help in avoiding situations such as shortage or surplus of funds.
- iii. Proper financial planning promotes better coordination of production and sales.

Answer 21

Factors affecting working capital requirement of a company:

- i. **Type of Business:** The nature of business is an important determinant of working capital requirement.
For instance, organisations dealing in services have shorter operating cycles, i.e. no processing is done in such organisations. Accordingly, they require low working capital.
As against this, an organisation dealing in manufacturing would require large working capital. This is because it involves a large operating cycle, i.e. the raw materials first need to be transformed to finished goods before they are offered for sale.

- ii. **Scale of Operations:** Firms which operate on a larger scale require greater working capital than those which operate on a lower scale. This is because firms with greater scale of operations are required to maintain high stock of inventory and debtors. As against this, a business with smaller scale of operation requires less working capital.
- iii. **Fluctuations in Business Cycle:** In various phases of the business cycle, the requirement of working capital is different. For instance, in the phase of boom, both production and sales are higher. Accordingly, the requirement of working capital is also high. As against this, in the phase of depression, the demand is low, and so production and sale are low. Accordingly, there is less requirement of working capital.
- iv. **Production Cycle:** Production cycle refers to the time gap between receiving goods and their processing into final goods. Longer the production cycle for a firm, larger is the requirement of working capital and *vice versa*. This is because a longer production cycle would imply greater inventories and other related expenses, so greater requirement of working capital.

Answer 22

Factors affecting dividend decision of a company:

- i. **Amount of Earning:** A firm decides the dividends to be paid on the basis of its earnings. If the company has high earnings, then it would be in a better position to pay high dividends. As against this, if a company has low earnings, it would pay low dividends.
- ii. **Stable Earnings:** A company with stable and smooth earnings can pay higher dividends to shareholders than a company which has unstable and uneven earnings.
- iii. **Stable Dividends:** Companies stabilise their dividends such that there is not much fluctuation in the dividends they distribute. They increase the dividend amount only when there is a consistent increase in earnings.
- iv. **Growth Prospects:** Companies with higher growth prospects prefer to retain a greater portion of their earnings for future reinvestment. Accordingly, they pay lesser dividends.

Answer 23

Importance of management:

- i. Achieving group goals: Management directs the efforts of all employees in the organisation towards the organisational goal.
- ii. Increases efficiency: Management increases efficiency by reducing the costs and increasing the productivity by proper planning, organising, staffing, directing and controlling.
- iii. Creates a dynamic organisation: In an organisation, employees mostly oppose change because it means working in a more challenging environment. In this regard, management helps employees to adapt to these changes.

- iv. **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.
- v. **Achieving personal objectives:** All employees who work in an organisation have some personal objectives. Management helps in the fulfilment of these personal objectives by motivating employees for the same.

Answer 24

- i. The principle of management which is not followed in the company is equity. According to this principle, there must be equal and fair treatment of various employees in an organisation. There must not be any discrimination on grounds such as religion, gender and caste. Force or kindliness in behaviour as required may be used equally for all employees. Such equality in treatment promotes in building a healthy and friendly work environment.
- ii. Values which are being ignored in the given case:
 - a. **Gender equality:** At the time of performance appraisal, the performance of Nikita was judged to be better than Salman. Even then their boss Mohammad Sharif decided to promote Salman, stating that being a female, Nikita will not be able to handle the complications of the higher post.
 - b. **Good working environment:** Salman had the habit of backbiting and wrong reporting about his colleagues to impress his boss.

Answer 25

Different dimensions of business environment which can be identified from the given particulars:

- i. Incomes are rising and people can afford to buy these bags-Economic environment
Economic Environment: Economic factors such as unemployment rates, stock market indices, inflation rate and interest rate within which a business conducts and operates its working points to the general condition of the economy. Because these factors have a direct impact on the business, a businessman should scan the economic environment and take timely actions to deal with it.
- ii. Society generally is more concerned about the quality of life-Social environment
Social Environment: Social environment implies the nature of lifestyles, customs, literacy rates, traditions, social trends, educational levels and other characteristics of society. These factors cannot be overlooked as they have an impact on society in the long run.
- iii. Innovative techniques are being developed to manufacture jute bags at low rates-Technological environment
Technological Environment: The nature of technology available and used by the economy or production house falls under the technological dimension. Any new scientific improvements, new procedures or techniques for improving the quality of services and goods facilitate a firm's effectiveness and efficiency to survive in the

competing world. Technological environment comprises technological changes and improvements and may also get reflected in factors such as expenditure on R&D and rate of obsolescence.

- iv. The court passed an order to ban polythene bags - Legal environment

Legal Environment: It refers to the legislation and rules framework impacting the business. These laws relate to consumer protection, joint stock companies, employment relation and health and safety. It is framed by the Parliament and passed by the government such as the Companies Act, 1956, Industries Dispute Act, 1947, and Trade Union Act, 1926.

- v. The government decided to give subsidy to the jute industry to promote this business-Political environment

Political Environment: It is a combination of different ideologies advocated by different parties. The factors relating to affairs such as political stability, power and attitude of government towards policies and societies constitute the political environment. It has a direct and immediate impact on business transactions and its functioning.

Answer 26

Importance of planning:

- i. **Provides direction:** Planning clearly states the predetermined course of action, guides managers about things to be done, what route to take and how the objectives are to be achieved and provides a direction to the actions of different departments of the organisation. Thus, managers know exactly what is to be done, and they thereby move in the right direction.
- ii. **Reduces risks of uncertainty:** One of the main agendas of planning is to predict or anticipate any future risk or unfortunate events which can cause major damage to a business. Plans are made to overcome such uncertainties, which are usually met by keeping aside resources. Planning shows how to deal with situations which may arise in the due course of management though it does not fully eliminate problems.
- iii. **Minimised overlapping:** Departmental and organisational plans are made keeping in mind the requirements of the departments. Thus, managers are well comprehended with the policies and plans of the organisation resulting in integration of activities. Through minimisation and elimination of useless resources and redundant activities, overlapping of work is reduced and any wastage of resources which takes place because of repetition is reduced. Proper planning ensures that there is no confusion and misunderstanding and the work proceeds smoothly.
- iv. **Encourages creativity:** Through better procedures, ideas and methods, planning serves as the stepping stone of any organisation's success and can be termed an intellectual process. It includes formulating policies and plans which require innovation. It is a crucial managerial activity which demands the best of thinking capabilities and creativity.

- v. **Helps in decision making:** Managers can make a quick decision from among various alternatives with a proper planning process. Such decisions would be rational and sound.

Answer 27

A network of social relationships which arises spontaneously due to interaction at work is called an informal organisation. It arises out of free social interaction among employees of an organisation.

Features of an informal organisation:

1. An informal organisation arises spontaneously out of the social friendly interactions among like-minded personnel in a formal organisation.
2. Rules and regulations of the group are followed instead of organisational rules.
3. There is free communication and interaction among employees.
4. It does not have any definite structure, so we can say that it is complex.
5. It is not deliberately created by management.

OR

Essential 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. In an organisation, the authority flows from top to bottom, i.e. the top-level management has the highest authority, then the middle level and finally the lower level. 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. This is because without responsibility, authority may lead to the unjustified use of power. On the other hand, responsibility without authority would hamper efficiency.
- 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 28

- i. **Status:** Status is one of the organisational barriers. It may happen that because of status in terms of profile and authority, workers develop a feeling of superiority (or

inferiority). Such a psychology restricts free flow of communication in the organisation.

- ii. **Organisational climate:** Characteristics of the organisation such as employee autonomy, incentives and rewards affect employee behaviour. If the management develops the organisational climate, then it encourages employees to work more efficiently.
- iii. **Career advancement opportunities:** 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.

OR

Psychological barriers to effective communication:

- i. **Premature evaluation:** Sometimes the receiver derives the meaning of the message even before the message is completed.
- ii. **Lack of attention:** While communication takes place, it may happen that the receiver is preoccupied with something else and that is why he is unable to grasp the message communicated to him.
- iii. **Loss by transmission and poor retention:** There can be loss of information or transmission of wrong information due to information passing through multiple stages. Besides this, there can also be a problem of poor retention at the receiver's end.
- iv. **Distrust:** If the parties do not trust each other, then they will not be able to communicate effectively.

Answer 29

Factors affecting the choice of an appropriate channel of distribution:

- i. **Product Type:** The choice of channel of distribution depends on the type of product, i.e. perishable or non-perishable, industrial or consumer product. For example, in case of perishable goods, short channels of distribution would be more suitable. Similarly, for consumer products, long channels are used, while for industrial products, short channels are used.
- ii. **Characteristics of the Company:** There are two important characteristics of a company which determine the channel of distribution used by it—financial strength and degree of control which the company wishes to command over intermediaries. Shorter channels of distribution require greater funds but also offer greater control over intermediaries. Accordingly, a financially strong company or a company which wishes to command greater control over intermediaries would opt for shorter channels of distribution.
- iii. **Competitive Factors:** The channel of distribution opted by a company also depends on the channels opted by its competitors. For instance, a company may opt for a similar channel as used by its competitors.

OR

Factors which affect the determination of the price of a product:

1. **Cost of Product:** Cost of the product is the most important factor determining the price. The cost of product can be of the following three types:
 - **Fixed cost:** Cost which remains fixed irrespective of the level of output. Example: Cost of machinery or land
 - **Variable cost:** Cost which varies in direct proportion with the level of output. As the level of output increases, variable cost also increases and *vice versa*. Example: Cost of labour or raw material
 - **Semi-variable cost:** Cost which varies with the level of output but not in direct proportion. Example: Commission paid to intermediariesGenerally, a firm decides such a price for its product so that it can cover the various costs and earn a profit.
2. **Demand for the Product:** Another important factor determining the price of a product is the elasticity of demand for the product. Price elasticity of demand implies how responsive the demand is to the changes in price.
 - **Elastic demand:** The demand is said to be price elastic if a given proportionate change in price leads to a more than proportionate change in demand. In such a case, charging a higher price by the firm would lead to a large fall in demand.
 - **Inelastic demand:** The demand is said to be price inelastic if a given proportionate change in price does not bring about any significant change in demand. In such a case, it is possible for a firm to charge a higher price. This is because even at higher price, the demand will not fall much.
So, goods generally having an elastic demand have a comparatively lower price than those which have an inelastic demand.
3. **Degree of competition in the market:** In case there is high competition in the market, it is not possible for a firm to charge a higher price. This is because if the firm charges a higher price, consumers would shift the demand to its competitors.

Answer 30

Role of advertising in marketing management:

- i. **Demand creation:** Advertising leads to creation of demand for producer's products. It creates a positive image of the product in the eyes of customers and thus leads to increase in the number buyers and size of the market for the product.
- ii. **Employment generation:** Advertising creates employment in the economy directly and indirectly. It directly creates employment by hiring people for designing, writing and issuing advertisements. On the other hand, employment is indirectly created by increasing the sales and production of the products in the economy.
- iii. **Enhances customer confidence:** Advertising enhances customer confidence as it assures the quality of the product. Thus, customers feel confident and satisfied.

- iv. **Cost effective:** Advertising helps in attracting consumers to the product. Accordingly, the demand for the product increases. To cater to the increased demand, the production increases. This in turn lowers the per unit cost of production.
- v. **Wide choice:** Advertising provides a wide choice to consumers in the sense that it informs them about the various products which are available in the market. Thus, it increases their choice and helps them in making an informed decision with regard to product purchase.
- vi. **Increased sales and profits:** Advertising is a technique of promotion of a product. It attracts customers towards the product and thus leads to a boost in sales and profits of the firm.

OR

Role of public relations in marketing management:

- i. **Press relations:** The public relations department of the company maintains a good relation with the press so that positive news can be spread about the company to the outside world.
- ii. **Product publicity:** Promotion and publicity of the product can be easily facilitated by the public relations department. In this regard, the department can conduct seminars and events.
- iii. **Maintaining corporate communication:** Organisations communicate with public and employees so that they can maintain their goodwill. This is done with the help of newsletters, articles and brochures.
- iv. **Lobbying:** Organisations have to deal with government officials regarding business policies. The public relations department plays a crucial role by promoting or defeating regulations which affect the organisation.
- v. **Counselling:** The public relations department provides counselling to the management on general issues such as contributing money for social causes and undertaking activities which contribute to organisational goodwill.