

CBSE

Model Answer Sheet 2014

केन्द्रीय माध्यमिक शिक्षा बोर्ड, दिल्ली
सीनियर स्कूल सर्टिफिकेट परीक्षा (कक्षा बारहवीं)
परीक्षार्थी प्रवेश-पत्र के अनुसार भरें

विषय Subject : BUSINESS STUDIES

परीक्षा का दिन एवं तिथि
Day & Date of the Examination : THURSDAY, 06-03-14

उत्तर देने का माध्यम
Medium of answering the paper : ENGLISH

प्रश्न पत्र के ऊपर लिखे कोड को दर्शाए
Write Code No. as written on the
top of Question Paper : 66/1/1

अतिरिक्त उत्तर-पुस्तिका (ओं) की संख्या
No. of Supplementary answer-book(s) used : N/A

किसी शारीरिक अक्षमता के प्रभावित हो तो संबंधित वर्ग में ✓ का निशान लगाएं।
If Physically challenged, tick the category

☐ B ☐ D ☐ H ☐ S ☐ C

B = दृष्टिहीन, D = मूक एवं बधिर, H = शारीरिक रूप से विकलांग, S = स्फस्टिक, C = डिस्लेक्सिक
B = Blind, D = Deaf & Dumb, H = Physically Handicapped, S = Spastic, C = Dyslexic

क्या लेखन - लिपिक उपलब्ध कराया गया : हाँ/नहीं
Whether writer provided : Yes / No ☐

*एक खाने में एक अक्षर लिखें। नाम के प्रत्येक भाग के बीच एक खाना रिक्त छोड़ दें।
यदि परीक्षार्थी का नाम 24 अक्षरों से अधिक है, तो केवल नाम के प्रथम 24 अक्षर ही लिखें।

Each letter be written in one box and one box be left blank between each part of the name. In case Candidate's Name exceeds 24 letters, write first 24 letters.

कार्यालय उपयोग के लिए
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केन्द्रीय माध्यमिक शिक्षा बोर्ड, दिल्ली
Central Board of Secondary Education, Delhi

सीनियर स्कूल सर्टिफिकेट परीक्षा (कक्षा बारहवीं)
SENIOR SCHOOL CERTIFICATE EXAMINATION (CLASS XII)



प्रमाणित किया जाता है मैंने/हमने इस उत्तर पुस्तिका का मूल्यांकन प्रश्न पत्र के
समुचित सेट के अनुसार और पूर्ण रूप से मूल्यांकन पद्धति के अनुसार किया है।
Certified that I/We have evaluated this answer-book according to the
correct set of question paper and strictly as per the marking scheme.

[1.] Management of people is concerned with ~~management~~ managing the people ~~with~~ which is the basic task of manager.

It has two aspects:-

- (a) Dealing with subordinates as individuals with diverse needs
- (b) Dealing with subordinates as group of people.

The basic task of manager is to make people work towards goals by making their strengths effective and weakness irrelevant.

[2.] The objective of method study is to find one best method of doing the task by minimising the cost of production and maximising quality and customer satisfaction.

[3.] Political environment of business includes

- Stability

- Peace

- Attitude of elected representatives that affects the business enterprises

[4.] Policy (Single use plan)

[4.] Policy (Repeated use plan) are the general guidelines that brings uniformity in decision making to achieve the goals of the organisation. They define the broad parameters within which a manager may function. eg- 30% vacancies for women.

[5.] Authority means the right of an individual to give orders and take action within the scope of his/her position. Authority is needed to discharge the given responsibility.

[6.] Formal organisation is a system of well-defined jobs each bearing a definite measure of authority, responsibility and accountability. Formal organisation helps in easy fixation of responsibility since mutual relationships are clearly defined.

[17.] When organisation uses internal sources of recruitment, the competitive spirit among them get hampered. They are likely to expect promotion by seniority. So, they become lethargic. Moreover, frequent transfers and terminations reduces the productivity of employees.

[18.] Human resource management includes many specialised activities and duties which the human resource personnel must perform. These are:-

- (a) Analysing jobs, collecting information about jobs to prepare job description.
- (b) Defending the company in law suits and avoiding legal complications.

[19.] Employees recognition programme includes installing awards and certificates for best performance.

[10.] Encoding is the third step in communication process. It includes converting the message into communication

symbols such as words, expressions, etc.

[11] Capital structure refers to the financing pattern or proportion of use of different sources in raising funds. Basically, capital structure refers to the mix between owner's funds and borrowed funds.

[12] As the price of ~~cost~~ ~~not~~ raw material, labour, electricity, etc rises, the business firm requires more working capital to maintain a constant volume of production and sale. So, inflation rises the working capital requirement.

[13] (i) The line from given paragraph "It was difficult for him to fulfill basic needs of his family" indicates the fulfillment of basic physiological needs. Basic physiological needs are ~~related~~ related to survival and maintenance of human life. Eg:- Food, clothing, shelter, etc. In organisational context, basic salary fulfills such needs.

→ The line from given paragraph ⁶⁶ "The cycle company offered him a permanent personable job" indicates the fulfillment of safety/ security needs.
 Safety/ security needs provide protection against physical or emotional harm. eg:- safety of property.
 In organisational context, ~~safe~~ stability of income, pension plans satisfy such needs.

(ii) ~~the~~ the two other needs which are still to be fulfilled includes:-

(a) Social/ Affiliation/ Belongingness needs - It includes affection, acceptance & friendship.

In organisational context, cordial relations with others, friendship etc fulfills such needs.

(b) Esteem needs - Esteem needs are those needs the satisfaction of which leads to self prestige and self reliance.

In organisational context, recognition, status, etc lead to satisfy such needs.

14.

~~Def~~ Directing is telling the people what to do and seeing that they do it to the best of their ability. ~~Directing~~ Directing is the heart of management. It helps in efficient and effective functioning of the organisation in the following ways:-

- (a) Directing initiates action in the organisation - Directing initiates action in the organisation towards the achievement of goals. For eg:- If a manager directs his/her subordinates and clarifies their doubts in the performance of work, it will help them to achieve the goals.
- (b) Directing integrates employee's efforts - ~~Def~~ Directing integrates employee's efforts in such a manner that each individual effort contributes to the achievement of goals. For eg:- A manager with good leadership skills should motivate his employees that individual efforts and team efforts will ~~help~~ lead to the achievement of goals.
- (c) Directing helps the employees to fully utilise their potential and capabilities - Directing helps the employees so by providing motivation and good leadership skills. A

manage with good leadership and motivation skills is able to identify the potential of employees. He/she provides the needed confidence / support whenever they fail to recognise their talent or skills. He/she provides training to them to improve their performance.

JS

Financial market is the market for creation and exchange of financial assets. It plays an important role in the allocation of resources in an economy by performing various functions which includes:-

- (1) Mobilisation of funds and deployment of funds into most productive investment use - Financial market helps in raising funds. It acts as a link between savers and investors by mobilising the funds between them. It directs these funds into most productive investment use which leads to growth and development of country.
- (2) Liquidity - Financial markets provides easy purchase and sale of existing securities. This provides liquidity.

to financial assets which can be easily converted into cash, whenever required.

- (3) Price discovery - In the financial markets, the households represent ~~demand~~ supply and business firms indicate demand. The interaction of them helps in the fixation of securities in the market.

[16] (i) The important product related decision that was not taken into consideration by the company was designing proper label to be put on the package of product. Label plays a very important role in describing the product and specifying its content. An appropriate label should provide necessary information to customers such as manufacturing & expiry dates, its net weight, precautions, etc. In hazardous goods like crackers, it is very necessary for the customers to learn about the risks associated with the product. Label provides all safety warnings and measures that should be kept in mind while using the product.

- (ii) The two values which are violated by company are:-
- Legal responsibility - It is the ~~the~~ legal responsibility of manufacturer to put appropriate label on packet of product under the consumer protection act 1986.
 - Endangering life of others - Because the mistake of company, people had to face accidents leading to severe burn injuries.

Def Consumer protection means protecting and promoting the interest of consumer through speedy and inexpensive redressal of their grievances. The consumer protection plays a very important role in consumer's life in following ways:-

- Consumer Ignorance - In India, consumers are ignorant about the rights and reliefs available to him. So, it becomes very necessary to educate the customers about the same to achieve consumer awareness.
- Unorganised customers - In India, we do have many

consumer associations and NGO which are working in the field of protecting and promoting the interest of consumer. However, these organisation are small in number and not so powerful to take action against business firm involved in unfair trade practice. So, it becomes necessary to educate the consumers about the same.

- (c) Widespread exploitation of customers - With the growing competition and in an attempt to increase sales and profits, the business firm indulge in unfair trade practices such as hoarding and black marketing, providing unsafe products, misleading advertisement. So, consumers are exposed to the risk of electric shocks, paying higher prices, cheated by purchasing spurious products, etc. So, it becomes very necessary to protect the customers against such risks.

- [18] (i) Right to be informed - The consumer has the right to have complete knowledge about the product he/she intends to buy including its manufacturing date, expiry date, net weight when packet, price, ingredients, etc.

So, the manufacturer of the product must provide all such information on the package and label of product.

- (ii) Right to safety - The consumer has the right to be protected against the goods which are hazardous to life and health. For eg. the use of electrical appliances produced with substandard material and not conforming safety norms might cause serious injury. So, the consumer are educated to buy also ISI marked electrical appliances just for the assurance of quality. Similarly, FPO for food products, Hallmark for jewellery and AGMARK for agricultural products provide quality assurance.

119. The following objectives of management are fulfilled here:-

- (A) Economic objectives - Economic objectives of firm include:-

- (i) Survival - Survival is the basic objective of business. The management must ensure survival of organisation.

The business must earn enough revenue to cover costs.

(i) Profit - Profit is an incentive for continued successful operation of business. Profit is essential for covering the cost and risks of business.

(ii) Growth - Every business adds needs to add to its prospects in the long run. For this, it is important for the business to grow. The management must fully exploit the growth potential of business. Indicators of growth are :- Increase in sales turnover, employees, capital investment, etc. (Revenue earned covers costs & risks, increase production).

(b) Social objectives - Social objectives are related to creation of benefits for society such as :-

(i) providing quality products at reasonable price.

(ii) generating employment opportunities for disadvantaged sections of society.

(iii) providing basic amenities like schools, hospitals, etc.

(iv) use ~~eco~~ environment friendly techniques of production.

(Development of remote areas)

(c) Individual objectives (Personal objectives) - Personal objectives are related to employees of organisation. Individual must be able to satisfy their personal objectives while contributing to ~~their~~ organisational objectives. ~~Ex~~ (opening schools for children of employees)

- (ii) Value to use non-exhaustible sources of energy is. manufacturing solar lanterns & hence sustainable development
 → Value to develop society by generating employment opportunities in remote areas.

[20]

Business environment refers to sum total of all individuals or institutions and external forces that are outside the control of business but may affect its functioning. Business environment is ~~important~~ important because:-

- (a) It enables the firm to identify opportunities and getting the firm more advantage - Opportunities refers to positive external environment trends and

changes that enables a firm to improve its performance. By keeping a close check on business environment, the firm is able to identify opportunities and find strategies to capitalise on these opportunities at the earliest. For eg:- Maruti Udyog became the leader in small car market, because it was first one to realise the environment of large middle class population & growing prices in India.

- (b) It helps in assisting in planning & policy formulation - The managers ~~the~~ environment scanning helps in identifying opportunities and threats available in market. This may serve as basis for deciding the future course of action and training guidelines (policy).
- (c) It helps in coping with rapid changes - The managers who continuously monitor their environment and adopt ~~suitable~~ suitable course of action are able to cope up with turbulent market conditions, intense global competition, etc.
- (d) It helps in tapping various useful resources - The business firm is an open system which depends upon its environment for resources, converts them into goods &

services as per ~~best~~ customers needs & wants and supplies it to them. Thus, a business firm depends upon its environment for tapping various useful resources and for the sale of its output.

21. Training is the process of increasing the knowledge and skills of employees such as intelligence, skills, etc.

Training of employees is very beneficial to organisation in following ways:-

- (a) Systematic learning - Training is a system learning which is always better than hit and trial method which leads to wastage of resources & efforts.
- (b) Higher ^{profit} performance - Training increases the productivity of employees both in respect of quality and quantity which leads to higher profits in the organisation.
- (c) Develops ~~future~~ managerial talent - Training helps to develop future managers who can manage

the enterprise in case of emergency.

- (a) Reduces absenteeism and employees turnover - Training increases the morale and motivation of employees which reduces absenteeism and employees turnover.

[22] Financial planning means estimating the funds requirements of a business and determining the sources of funds for investment in current and fixed assets and future expansion prospects.

The following points highlight the importance of financial planning:-

- (a) Financial planning enables a firm to tackle the uncertainties in respect of availability and timing of funds. This helps in smooth functioning of business.
- (b) It tries to forecast what may happen in different business situation. By doing so, it makes the firm better prepared to face the future. For eg:- sales of 10% is predicted. However, the growth rate turns out to be 5% or 15%. The revenues and cost are different in all

the three situation. By preparing a blueprint of these three situations, a business may decide what must be done in each of ^{the} three situations.

(c) Detailed plans of action reduces waste, duplication of efforts and gaps in financial planning.

(d) It tries to link the present and future. It helps in preventing business risks and shocks and prepares a blueprint of ~~an~~ an organisation's future preparations.

23 Planning is concerned with ~~the~~ what to do and how to do.

The following points highlight limitation of planning:-

(a) Planning leads to rigidity - once a well defined plan has been established, managers may not be in a position to change it. They don't have the enough flexibility to cope up with changed circumstances. So, planning leads to a rigid mode of functioning for managers. However, following a pre-decided plan when circumstances have changed may not be in organisation's interest.

- (b) Planning is time consuming - Planning involves collection of information, its analysis and interpretation. All these activities take so much time that much time is left for implementation of plans. Planning is a futile exercise if it is not implemented on time.
- (c) Planning involves costs - When plans are drawn up, huge cost are incurred in formulation of plans such as expenditure on board meetings, etc. If the costs involved in plans is more than benefits derived from it, it may have an adverse effect on enterprise.
- (d) Planning may not guarantee success - The success of an organisation is possible only when the plans are properly drawn up and implemented. However, the managers have a tendency to follow previously tried plans. However, it is not necessary that plans ~~to~~ which have worked earlier will again work effectively. Moreover, there are many unknown factors on which managers have no control like natural calamities.
- (e) Planning reduces creativity - Top management prepares plans.

Middle and lower level management are neither allowed to deviate from plans nor act on their own. Thus, much of the ~~the~~ initiative or creative ~~inherent~~ in them gets lost or reduced. There is no room for making new or initiative. For eg:- A worker was assigned a target producing 100 units. Due to the habit of doing things differently, an idea struck him that not only had to achieve the target but also exceed him. But, instead of appreciating him, the manager ordered him to complete it as per predetermined ways.

[24]	Basis of difference	Capital Market	Money Market
1)	Participants	Participants involved are commercial banks, development banks, foreign investors, financial institutions,	Participants involved are RBI, commercial banks, large corporate houses, mutual funds, etc.

		ordinary retail member investors from members of public, etc.	
(ii)	Instrument	Instrument traded are equity shares, debentures, preference shares, bonds, etc.	Instrument traded are treasury bills, commercial bills, commercial paper, call money certificate of deposits, etc.
(iii)	Investment outlay	Investment in capital market does not require huge capital outlay because unit value of securities is very low i.e. 10, 50 or 100 and minimum trading lot of shares is kept small like 50, 100. So, small investors can purchase the same.	Investment in money market requires huge capital outlay because the securities traded are quite expensive. i.e. treasury bills are available for minimum of ₹ 25000 and in multiples thereof.

(iii) Duration	The securities are held for long period of time. So, there is scope of earning higher returns.	The sec
(iv) Duration	The instrument traded here have a maturity period of more than an year.	The instruments traded here have a maturity of less than an year.
(v) Liquidity	Capital market instruments are liquid as they are marketable on stock exchange. However, a share may not be actively traded in a may not find a buyer easily.	Money market instruments are highly liquid. The discount finance house of India provide a ready market to these securities.

26] Price may be defined as the amount paid by buyer in considered to the purchase of produce.

Price determines the success or failure of a product as it determines its demand. Generally, ^{price} lower the demand, higher the demand of product. Price is the single most factor that affects the revenue or profits of business firm.

The factors determining the fixation of price of product are:-

- (a) Product cost - Product cost sets the minimum level or floor price of product. It is the cost incurred in acquiring, selling ~~at~~ distribution of goods. It is necessary that the price of product must cover the cost of product in long run along with a margin of profit ~~over~~ and above the cost.
- (b) Competition - The level of competition in market also affects the fixation of price. If ~~the~~ firm faces no competition in the market, it can enjoy the freedom of fixing any price for its product. However, if the level of competition is high, the firm should fix lower

price to attain larger share in market.

- (c) Government rules and regulations - In order to protect the interest of consumer from trading malpractices, the govt. fixes the price of some essential commodities. If the firm fixes higher price, it may invite government intervention.
- (d) Marketing methods used - The marketing methods used by the firm also affects the price of a product such as channels of distribution, quality of service, etc. eg: If the firm provides free home delivery, it can charge higher price for the product.

[26] Taylor believed that management should not ~~is~~ close its ears to constructive suggestions made by the employees. By following this, Taylor adopted the scientific principle of "Cooperation not individualism". According to this principle, there should be complete cooperation between workers and management instead of ~~is~~ competition and individualism. This

principle is an extension of "Harmony not discord". The management should not close its ears to constructive suggestion by subordinates but should reward such suggestion which results in substantial time and cost reduction. The workers must be made a part of management and part of all important decision. The workers on their part should make reasonable demand and not go on strikes.

According to Taylor, there should be equitable distribution of work between workers and management. The management should help, encourage and try to smoothen their way for employees. This is called paternalistic style of management whereby the employer takes care of needs of employees.

Fayol suggested that a good company should have an employee suggestion ~~plan~~ system, whereby suggestions which result in substantial time or cost reduction should be awarded. Fayol adopted the administrative

principle of 'Initiative'. Initiative means taking the first step with motivation. It means thinking out and executing the plans. It is one of the traits of an intelligent system.

According to Fayol, employee should be encouraged to develop and carry out plans for their self development such as employee suggestion system in company. However, Initiative should be encouraged but it does not mean freedom to do whatever they want. They should observe discipline also.

[27]

Organising is the process that facilitates implementation of plans by clarifying jobs and working relationship and effectively deploying the resources for the attainment of organisational goals.

Organising involves a series of steps which include:-

- (1) Identification and division of work - The first step in organising is identifying and dividing the total work into small manageable units called jobs so

Wastage of resources ~~a~~ can be minimised and burden of work can be shared among the employees.

(2) Departmentation / Departmentalisation - The second step in organising is grouping the similar or related jobs into departments. This is called departmentation or departmentalisation. Departments can be created on the basis of :-

- (i) Product (cosmetics, footwear, etc)
- (ii) Territory (east, west, north, south)
- (iii) Functions (production, marketing, etc).

(3) Assignment of Duties - Once the departments have been formed, it is necessary to assign necessary duties and responsibilities to members in accordance to their skills and abilities. In other words, work must be assigned to those who are best fitted to perform it well.

(4) Establishing reporting ~~rept~~ relationship - Merely allocating work is not enough. Authority responsibility relationship needs to be established so that members may know ~~who~~ from whom he/she has to take orders or to whom he/she is accountable.

IDENTIFICATION AND DIVISION OF WORK



DEPARTMENTATION / DEPARTMENTALISATION



ASSIGNMENT OF DUTIES



ESTABLISHING REPORTING RELATIONSHIP

ORGANISING PROCESS

2.8

Controlling function measures the accomplishment of goals according to and take corrective action to ensure the performance of work according to targets. The following points highlight the importance of controlling-

- (a) Accomplishing organisational goals- Controlling measures the progress towards goals, identify deviation if any, and taking the corrective action to ensure the accomplishment of goals.

- (b) Judging accuracy of standards - Controlling helps the management to judge whether the standards set are accurate and reliable. It keeps a careful check on changes taking in the environment and helps to review, revise and update standards in the light of such changes.
- (c) Optimum utilisation of system - By exercising control, a manager reduces wastage of resources. All the activities are performed as per predetermined standards. Thus, ~~controlling~~ controlling helps in the optimum utilisation of resources.
- (d) Ensures order & discipline - Controlling reduces the dishonest behaviour on part of employees by keeping a careful check on their activities. Thus, it ensures order & discipline in organisation.



29

- (i) Stability of earning - If a company has stable earnings, it is likely to declare higher dividend. On the other hand, if the company has unstable earnings, it can only pay smaller dividend.
- (ii) Growth opportunities - If a company has high growth opportunities, it is likely to pay low dividend and retain more money out of profits to invest in profitable projects. On the other hand, a non-growth company can pay higher dividend.
- (iii) Cash flow position - If ~~the cash flow~~ dividend means outflow of cash. Availability of cash is essential to pay dividend. ~~However~~ So, if the cash flow position of a company is strong, it can pay high dividend. But sometimes it is possible that a company may ^{have} ~~high~~ strong cash flow position, but may fall short of cash. So, it can pay

smaller dividend only.

(ii) Taxation policy - Dividend are free of taxes in the hands of shareholders. So, they prefer higher dividend. But, a dividend distribution tax is levied on the company. So, if the rate of tax is high, company must pay less dividend and if the rate of tax is low, it can pay smaller higher dividend.

130 - Advertising is any paid form of non-personal presentation and promotion of goods, services, ideas etc. undertaken by an identified sponsor.

Though, advertising is one of the most frequently used medium of promotion of goods & services, yet it attracts a lot of objections some of which are:-

(a) Adds to cost - Companies spend lakhs of rupees or a few crores of advertisement. Similarly, advertisements in T.V. and magazine cost the market a high sum of ~~sum~~ money. Such expenses are added to cost and passed to the

buyers in the form of high prices.

(b) Advertising undermines social values - Advertising leads to materialism and multiplies needs. It encourages the customers to buy new latest products, thereby discarding old, but still functional ones.

(c) Confuses the buyer rather than help - everyday, we come across hundreds of advertisements on TV, newspaper, etc. about a single product of various brands. For eg:- Advertisement of T.V. of various brands such as Orinda, Sony, etc. This confuses the buyer and it becomes difficult for the buyer to make a right choice as everyone claims that they are best.

(d) Some advertisements makes false claim - Some advertisements makes false claim about the quality of product. eg:- A brand logo, Saare kapde dhare.

Conclusion - Though, there are certain objections but these can be criticised as today's customer is smart enough to make right choice.