

CBSE Class 12 Business Studies
Sample Paper 05 (2020-21)

Maximum Marks: 80

Time Allowed: 3 hours

General Instructions:

- i. This question paper contains 34 questions.
- ii. Marks are indicated against each question.
- iii. Answer should be brief and to the point.
- iv. Answers to the questions carrying 3 marks may be from 50 to 75 words.
- v. Answers to the questions carrying 4 marks may be about 150 words.
- vi. Answers to the questions carrying 6 marks may be about 200 words.
- vii. Attempt all parts of the questions together.

Section A

1. The form which contains certain vital details about the candidate which are authenticated and attested by him or her is:
 - a. Contractor employment
 - b. Job offer
 - c. Medical test report
 - d. Attestation form
2. Which of the following starts from (starting point) factory _____.
 - a. Product concept
 - b. Production concept
 - c. All of these
 - d. Selling concept
3. Out of the following, identify non-financial incentives.
 - a. Organisational Climate
 - b. Bonus
 - c. Perks
 - d. Profit sharing

4. These days companies cannot avoid investing in _____.
a. Research
b. Development
c. Research and Development
d. None of these
5. Centralization refers to:
a. Creating divisions as profit centers
b. Opening new centers or branches
c. Dispersal of decision making authority
d. Retention of decision-making authority
6. The main focus of controlling is on _____.
a. Business Environment
b. External Forces
c. Competition
d. Results
7. The Government of India has recently come up with an amendment to Companies Act 2013 regarding corporate social responsibility. It is a dimension of _____ environment.
a. social
b. economic
c. political
d. legal
8. **Better human relationship** is an advantage of which type of communication?
a. Formal
b. Informal
c. Horizontal
d. Vertical
9. The word market has come from the Latin word _____.
a. Marketo
b. Marketio
c. Marcatus
d. Matico
10. With the help of financial planning, capital can be made available at _____ cost.
a. marginal

- b. opportunity
- c. minimum
- d. maximum

11. Performance appraisal is concerned with the:
- a. evaluation of current and past performance
 - b. selection
 - c. recruitment
 - d. placement and orientation

OR

Contract of employment contains _____ information.

- a. Job Title
- b. All of these
- c. Allowances
- d. Responsibilities

12. Financial planning means _____ the financial activities.
- a. Assuming
 - b. planning
 - c. Estimating
 - d. Pre-determining

13. **Read the following text and answer the question:**

Divya is the manager of a well-known company manufacturing handicrafts items. It deals in fabrics, readymades and household items. She decides all variety, quantity and colour of all the items or products for maximising sale in the market and also allocate resources for their purchase from different suppliers. Then she ensures that there is sufficient manpower in the company. She prefers to use eco-friendly methods of production. She continuously monitors whether production is proceeding with as per plans and the quality of output is maintained. She tries to maintain safety standards and also minimizing the wastage of materials. She formulates overall organisational goals and strategies to achieve desired objectives.

- i. "Divya decides all variety, quantity and colour of all the items or products for maximising sale in the market."

The primary function of every manager is _____.

- a. Directing
 - b. Organising
 - c. Planning
 - d. Staffing
- ii. "Allocation of resources for their purchase from different suppliers." Which function of management is highlighted here?
- a. Planning
 - b. Organising
 - c. Coordination
 - d. Controlling
- iii. "She prefers to use eco-friendly methods of production." Which objective of management is highlighted here.
- a. Economic
 - b. Social
 - c. Personal
 - d. Organisational
- iv. Which function of management ensures actual activities conform to planned activities?
- a. Planning
 - b. Coordination
 - c. Directing
 - d. Controlling

14. Read the following text and answer the questions:

Rajeev is a supervisor in a company. He works at a lower level of management. He teaches 'on the job training' the ways in which a task is to be done by the workers at the shop floor level. He meets his boss once a weekday and gives him a numerical statement quantifying the numbers needed in various activities on the shop floor for the next 6 months. The boss approves his requirements and gives him a job to set targets in figures about the next plan he thinks is good for the manufacturing unit. Rajeev's dedication is noticed by all. Based on the case answer the following questions:

- i. He teaches 'on the job training' the ways in which a task has to be done by the workers at the shop level, what types of the plan has been highlighted here?
- a. Policy

- b. Objective
 - c. Strategy
 - d. Method
 - ii. He gives him a numerical statement quantifying the amount needed in various activities at the shop floor, what types of plan has been highlighted here?
 - a. Policy
 - b. Objective
 - c. Budget
 - d. Method
 - iii. Which step of planning process is highlighted in the above case?
 - a. Setting objectives
 - b. Follow up
 - c. Evaluation of alternatives
 - d. Selecting the best alternative
 - iv. Setting targets by the boss is an example of what types of plans?
 - a. Policy
 - b. Objective
 - c. Strategy
 - d. Method
15. Mita has a successful ice cream business at Bikaner, namely 'Smart flavours'. Her ice creams are utterly delicious. She makes ice creams from fresh milk and the same are available in a wide range of flavours and packs. She sets viable business objectives and works with the same in mind in order to ensure that the customers will come back for purchasing. Having the first mover advantage, her business was doing well. To earn higher profits, she started cutting costs. This would sometimes lead to delay in delivery and the ice cream was not reaching the market in time. Over a period of time, the demand for her ice cream declined and because of it, the competitors entered the market. She lost some of her market share to competitors.
- At the beginning of summer season, she got back to back orders for supply of 4,000 ice cream packs of different flavours for special occasions. To ensure that the task was completed and orders delivered in time she hired additional workers. She was, thus able to produce and deliver the ice cream packs but at a high production cost. While completing activities and finishing the given task for achieving goals, Mita realized that

she was ignoring one of the important aspects of management. Identify the aspects of management that have been ignored by Mita. Also, explain the same with the help of an example.

16. Ms. Payal passed her M.B.B.S. examination in the first division in 2016. Later on in the year 2019, she passed her M.S. examination as an eye surgeon. After completing her studies she joined a big hospital as an eye surgeon. She is performing five operations successfully every day. Now tell, what aspect of Ms. Payal's above experience is science and what aspect is art?
17. The Finance Manager of XYZ Ltd prepared a variance analysis report for the management to explain the difference between planned profit and actual profits. Identify and explain the step in the process of controlling highlighted here.

OR

David and Tom are managers in the same organization heading different units. While discussing about the functions of management, David says that "Planning is looking ahead whereas controlling is looking back". But Tom says "You are wrong because planning is looking back whereas controlling is looking ahead". Both are giving reasons in favour of their statements. Explain the possible reasons given by both and justify who is correct.

18. Explain the factors that affect capital budgeting decision.

OR

"Money market is essentially a market for short term funds". Discuss.

19. Explain the concept of 'Motivation' and 'Leadership'.
20. What is meant by money market? Explain any two instruments used in money market.
21. Explain briefly 'casual callers' and 'labour contractors' as external sources of recruitment.
22. What are industrial products? How are they different from consumer products? Explain.

OR

"Advertising encourages sale of inferior and dubious products' and 'Advertising confuses rather than helps'. Agree or Not ? Give reasons.

23. No organization can be successful unless it fills and keeps the various positions filled with the right kind of people for the right job. Elucidate.
24. State any eight reliefs available to the consumer, if the court is satisfied about the genuineness of the complaint.
25. Solution Ltd. is a popular company manufacturing air conditioners. The company has the policy of paying proper attention to the training of the managers. The organisation teaches various principles of management to the managers whenever required so that they can apply them and understand the practical aspects of business through them. Year by year the organisation is able to increase its revenue. This is because the managers are able to economically use the funds of the company and increase the output of the workers through various principles of management. The company has decided to donate 10% of their earnings to a nearby orphanage. Identify and explain the three importance of principles of management highlighted above by quoting the lines.
26. Gaurav Industries needs to raise funds of Rs.30,00,000. Its expected earnings before interest and taxes (EBIT) are Rs.2,00,000. The company wishes to use more of debt content as compared to equity to raise earning per share (EPS) of equity shareholders. The debt is available at interest of 10%. As a finance Manager, advise whether the company should prefer more of debt or more of equity to have higher EPS. Give reasons in support of your answer.

OR

Abhishek Ltd is manufacturing cotton clothes. It has been consistently earning good profits for many years. This year too, it has been able to generate enough profits. There is an availability of enough cash in the company and good prospects for growth in future. It is a well-managed organisation and believes in quality, equal employment opportunities and good remuneration practices. It has many shareholders who prefer to receive a regular income from their investments.

It has taken a loan of ₹.50 lakhs from ICICI Bank and is bound by certain restrictions on the payment of dividend according to the terms of the loan agreement. The above discussion about the company leads to various factors which decide how much of the profits should be retained and how much has to be distributed by the company. Quoting the lines from the above discussion, identify and explain any four such factors.

27. What is the difference between delegation of authority and decentralisation.

28. 'An important task in the marketing of goods relates to designing the label as it provides useful and detailed information about the product. In the light of the above statement, draw a label for a packet of juice and highlight the important information to be provided on it.

OR

There are a number of factors that affect the fixation of price of a product. State any five such factors.

CBSE Class 12 Business Studies
Sample Paper 05 (2020-21)

Solution

Section A

1. (d) Attestation form

Explanation: Such form is Attestation form

2. (c) All of these

Explanation: Production Concept, Product Concept, and selling Concept starting from the factory. Continuous exposure to advertising and personal selling leads many people to link marketing and selling or to think that marketing activities start once goods and services have been produced.

3. (a) Organisational Climate

Explanation: Organizational climate is something which is internal for any organization. It depends on the values and ethics followed by an organization.

4. (c) Research and Development

Explanation: These days companies cannot avoid investing in research and development.

5. (d) Retention of decision-making authority

Explanation: Centralization refers to the concentration of power or decision making authority in the hands of top-level management. The middle and lower level of managers has less freedom of action.

6. (d) Results

Explanation: All management functions focus on achieving organizational goals. Thus, planning, organizing, coordinating and controlling focus is in the direction of achieving the set organizational goals.

7. (d) legal

Explanation: legal

8. (b) Informal

Explanation: Interaction among people at work gives rise to a network of social relationships among employees and is called informal communication. Informal interaction among employees builds better human relationships.

9. (c) Marcatus

Explanation: The word market has been derived from Latin word Marcatus which refers to a place of trade or a place where the business is carried on.

10. (c) minimum

Explanation: Financial management aims at choosing the best investment and financing alternatives by focusing on their costs and benefits. The organization can get the capital at the lowest cost possible.

11. (a) evaluation of current and past performance

Explanation: The performance appraisal is the process of assessing employee performance by way of comparing present performance with already established standards.

OR

(b) All of these

Explanation: All of above information is included

12. (d) Pre-determining

Explanation: Financial planning process tries to forecast all the items which are likely to undergo changes. It enables the management to foresee the fund requirements both the quantum as well as the timing.

13. i. (a) Planning

ii. (b) Organising

iii. (c) Social

iv. (d) Controlling

14. i. (d) Method

ii. (c) Budget

iii. (a) Setting objectives

iv. (b) Objective

15. **The aspect of management that is being ignored is: Strategy**

How does your business compete in the industry? How can you create a competitive advantage? Are you able to adapt to a changing business environment? The ability to take a high-level, strategic view of a business is necessary to identify opportunities and to stay ahead of external forces such as new competition and changing consumer demand. In Strategic Management, you will learn how to develop a business strategy including

analyzing the competition and identifying ways that your business can gain a competitive edge.

16. As we know that to obtain information about a subject is a science and putting that information to practice is an art, so in this case, it can be said that study of M.B.B.S and M.S. is science and working as an eye-surgeon is an art.
17. **Comparison of Actual Performance with Standards:** This step involves a comparison of actual performance with the standards. Such a comparison will reveal the deviations between actual and desired results. Deviation means gap or difference between actual performance and standard performance.

OR

The statement given by both the managers are correct, one cannot deny one's viewpoint, because planning is controlling future with the past experiences and controlling is looking at future and deciding what should be done today.

Backward looking as well as forward looking: Controlling is both a backward looking as well as forward looking function. It plays important role in improving the future results on the basis of experience gained in the past. Planning without controlling is useless and controlling is always based on planning.

18. Factors affecting capital budgeting/long-term investment decisions are
 - i. **Cash flow of the project:** Whenever a company is investing huge funds in an investment proposal, it expects some regular amount of cash to meet its day-to-day requirements. Higher the Cash Flow, higher the choice of investment in a particular project.
 - ii. **Return on investment** The most important criteria to decide the investment proposal is the rate of return it will bring back for the company, e.g. if project A is bringing 10% return and project B is bringing 15% return then, a businessman would prefer project B. It concludes that a higher rate of return attracts higher investment.
 - iii. **Risk involved** With every investment proposal, some degree of risk is also involved. The company must try to calculate the risk involved in every proposal and should prefer the investment proposal with a moderate degree of risk only. High degree of risk may not be profitable always and low degree of risk will not result in higher returns.

OR

As we know that money market deals with the short term monetary assets which can be converted into cash within one year. Therefore money market is a market for short term funds. The main instruments of this market are commercial paper, certificate of deposit, call money, treasury bills and commercial bills etc.

19. Motivation is a goal-oriented characteristic that helps a person achieve his objectives. It pushes an individual to work hard at achieving his or her goals. An executive must have the right leadership traits to influence motivation. However, there is no specific blueprint for motivation.

As a leader, one should keep an open perspective on human nature. Knowing different needs of subordinates will certainly make the decision-making process easier.

Both an employee as well as manager must possess leadership and motivational traits. An effective leader must have a thorough knowledge of motivational factors for others. He must understand the basic needs of employees, peers and his superiors. Leadership is used as a means of motivating others.

20. Money market is a market for short-term funds which deals in monetary assets whose period of maturity is upto one year

The two instruments used in money market are:

- i. **Commercial paper** : (CP) A commercial paper is an unsecured instrument issued in the form of a promissory note. They are negotiable and transferable by endorsement and delivery. It is issued by large and credit worthy companies for reusing short-term funds at lower rates of interest than market rates. It usually has a maturity period of 15 days to one year. It is sold at a discount and redeemed at par. Commercial paper is not usually backed by any form of collateral, making it a form of unsecured debt. As a result, only firms with high-quality debt ratings will easily find buyers without having to offer a substantial discount (higher cost) for the debt issue.
- ii. **Treasury bills**: (T-bills) It is an instrument of short-term borrowing by the RBI on behalf of government of India, maturing in less than one year. They are also known as zero coupon bonds. They are issued in the form of promissory note. They are highly liquid and provide assured yield. There is no risk of default, they are issued at a discount and repayable at par. They are available for a minimum amount of Rs 25,000 and in multiples thereof.

21. i. Casual callers: Many business organisations keep a database of unsolicited applicants, i.e. casual callers in their files. This source of recruitment is generally resorted to by manufacturing organisations to fill up vacancies at the labour level. It is an inexpensive method of recruitment. Thus, casual callers, also called as unsolicited applications are the job seekers who come to the well-renowned organizations casually and either mail or drop in their job applications seeking the job opportunity.
- ii. Labour contractors: They are the link between labourers and the managers. They remain in contact with both the labourers and the managers. They supply the required workers to the organisations whenever managers put up the demand. This system of labour recruitment is very popular in road construction, building construction and plantation industry.
22. Industrial product is bought for further processing or for use in conducting business; it is bought by other businesses not consumers. The difference between a consumer product and industrial product are summarised below:

Consumer Product	Industrial Product
The demand for consumer goods.	The demand for industrial.
Buyers are large in number.	Industrial Products have a limited number of buyers.
The demand for the consumer is elastic.	The demand for industrial goods is relatively inelastic.
The buyers are found in different parts of the country and world.	The buyers are generally concentrated in certain regions only.

OR

The statements are partly correct. It can be explained as:

- (a) **Encourages sale of inferior and dubious products**: Some critics of advertising feel that it encourages the sale of inferior and dubious products by giving attractive display of the product.
 - Manufacturers through advertisements make false claims about the utility of the products and thereby cheat the innocent customers who think advertisement that appeared in TV or newspaper must be authentic.

- They argue that with the help of advertising almost anything can be sold in the market.
- Against this Objection:
- In fact superiority and inferiority depends on the quality, which is a relative concept. The desired level of quality will depend on the economic status and preferences of the target customers.
- Advertisements sell products of a given quality and the buyers will buy if it suits their requirements. No advertisement should however, make false claim about the quality of a product. If a firm makes a false claim/s it can be prosecuted for the same.

2. (b) **Confuses the buyers:**

- Advertising creates confusion in the minds of people by providing numbers of products which make their choice difficult and sometimes there are wasteful expenditure.
- Each brand claims to be better than the other. For example, it is difficult to choose among Ariel washing powder or Wheel washing powder or Surf Exel washing powder. Although some cheaper varieties of washing powders (which are not advertised) are available in the market, yet the choice is made out of the well advertised costly powders.
- Against this Objection:
- The supporters of advertisement, however, argue that we are all rational human beings who make our decisions for purchase of products on factors such as price, style, size, etc.
- Thus the buyers can clear their confusion by analysing the information provided on the advertisements and other sources before taking a decision to purchase a product. However, this criticism cannot be completely overruled.

23. Staffing is an important function of management as it takes care of the manpower requirement of any organisation. In today's environment with rapid changes taking place in technology, size of the organisations, etc. finding the right people for the job becomes critical. In such a scenario, proper staffing process plays an important role in the organisations.

Following are the highlighted benefits of staffing in the current world scenario.

- i. **Finding Competent Personnel:** Staffing helps in finding and choosing the right

personnel required for a job.

- ii. **Improves Efficiency:** By ensuring that right people are placed for right jobs, the overall efficiency and performance increases.
 - iii. **Growth of the Organisation:** It ensures survival and growth of the organisation by appointing efficient and competent employees for various jobs.
 - iv. **Optimum Utilisation of Human Resources:** Through proper manpower planning, staffing prevents over-utilisation or under-utilisation of manpower. In addition, it avoids interruption in working efficiency by suggesting, in advance if there is any unfilled job.
 - v. **Job Satisfaction:** Compensation and fair rewards given to the employees provide them self-confidence and job-satisfaction. It encourages them to work diligently and give their best to the organisation.
24. If the Consumer Court is satisfied with the genuineness of the complaint, it can issue one or more of the following directions to the aggrieved party as reliefs:
- i. To remove defect in goods and services.
 - ii. To replace the defective product with a new one.
 - iii. To refund the price.
 - iv. To pay a reasonable amount of compensation for any loss or injury suffered.
 - v. To pay punitive damages.
 - vi. To discontinue the unfair/ restrictive trade practice.
 - vii. Not to offer hazardous goods for sale.
 - viii. To withdraw hazardous goods from sale.
25. i. **Providing managers with useful insight into reality-** The organisation teaches practical aspects of the business through them.
- Management principles help in increasing managerial efficiency by adding to their knowledge and ability to understand the various situations. Management principles guide managers to make the right decision, at the right time by improving their knowledge, ability and understanding of managerial situations. These principles enable managers to learn from past mistakes and to save time by solving recurring problems quickly.
- ii. **Optimum utilisation of resources-** This is because the managers are....through various principles of management.
- Management principles aim at optimum utilisation of all types of resources for the

achievement of organisational goals. By optimum utilisation, we mean that the resources should be used in such a manner that they provide maximum benefit with minimum cost.

- iii. **Fulfilling social responsibility-** The company has decided to donate.....to a nearby orphanage.

26. Gaurav Industries should use less of debt (preferably no debt) to have higher EPS because current return on investment (ROI) is less than cost of debt. The prevailing ROI can be calculated as:

$$ROI = \frac{EBIT}{Total\ Investment} \times 100$$

Here, EBIT = 2,00,000 and Total investment = 30,00,000

$$\text{Thus, ROI} = \frac{2,00,000}{30,00,000} \times 100$$

$$ROI = 6.66\%$$

So, ROI is 6.66 % < 10%. When ROI is less than interest rate on debt, then EPS falls with rise in use of debt. So, the company should prefer more of equity to have higher EPS.

OR

Following are the factors affecting the dividend decision:

- i. **Consistent or stable earning:** 'It has been consistently earning good profits for many years'.
Dividend is a part of earning. If a company has been consistently earning good profits for many years, it will like to declare dividend rather than to retain profit. If the company's earning is not consistent, it will like to retain a major portion of its earning.
- ii. **Cash position:** 'Good prospects for growth in future.'
The payment of dividend is possible only when the company has sufficient cash. If the cash flow position of a company is not good, it will prefer a conservative dividend policy.
- iii. **Growth prospects:** 'There is the availability of enough cash in the company.'
Retention of earning acts as a source of financing the growth and expansion opportunities. If company has good growth opportunities it will not follow liberal dividend policy.
- iv. **Shareholders' preferences:** 'It has many shareholders who prefer to receive a

regular basis. A company's management should keep shareholders' preferences in mind. Rich and institutional shareholders prefer capital gains i.e., appreciation in the value of the shares held by them.

- v. **Contractual constraints:** 'It has taken a loan of ₹50 lakhs from ICICI Bank andagreement.'

Generally, lenders impose a restriction on the company in respect of payment dividend in future. A company will have to keep such constraints in its mind before declaring dividend.

27.

S.no	Basis	Delegation of Authority	Decentralisation
1	Nature	It is compulsory act because no individual can perform all tasks on his own.	It is an optional policy decision. It is done at the discretion of the top management.
2	Scope	It involves entrusting the authority by a manager to his immediate subordinates in a work unit. Thus, it is narrow in scope.	It involves systematic delegation of authority at all levels and in all functions of the organisation. It is an extension of delegation to the lowest level in the organisation. It amounts to pushing down authority to all managerial levels. Thus, it is wider in scope.
3	Purpose	To lessen the burden of the manager.	To increase the role of the subordinates in the organisation by giving them more autonomy.
4	Status	It is a process followed to share tasks.	It is the result of the policy decision of the top.
		Subordinates have	

5	Freedom of action/Control	less freedom of action since they are kept under close supervision by their superiors.	Managers have greater freedom of action since they are not kept under close supervision by their superiors.
---	---------------------------	--	---

28. Marketers use labeling to their products to bring identification. This kind of labeling helps a viewer to differentiate the product from the rest in the shelves of the market. There are several used of the label for the products in the market. Labeling is used for packaging the product. For example, describing someone who has broken a law as a criminal.

A simple looking but important task is that the marketing of goods relates to designing the label to be put on the package. The label may vary from a simple tag attached to the product to complex graphics containing essential information such as price, quantity, expiry date, etc.

Label for the Packet of Juice

- i. **Describe the Product and Specify its Contents**
 - a. Orange Juice with extra calcium and low fat It gives you extra energy.
 - b. Contains sugar, orange, no added flavour, etc.
- ii. **Identification of Product or Brand**
 - a. Helps to identify from other brands.
 - b. Real orange juice.
 - c. Real manufacturer-Jaipur or Delhi.
 - d. Net weight 150 ml, 250 ml, 500 ml, etc.
 - e. Retail price Rs 15, 20, 30, etc.
 - f. Batch no XYZ
- iii. **Grading of Product**
 - a. Real orange juice for women, children and old people.
- iv. **Helps in Promotion of Product**
 - a. Real juice piyo khushiya manao.
 - b. 40% extra with 1-litre pack.
- v. **Providing information required by law**
 - a. Best before six months from the date of manufacturing.

OR

The factors by which the pricing of a product is influenced are as follows:

- i. **Pricing objective:** The objective of the firm is an important factor which helps in deciding the price. Firms objectives may include profit maximization, obtaining market share leadership, surviving in a competitive market and attaining product quality leadership. While deciding upon the price of a product a firm has to see, which of the above-mentioned pricing objective, it would consider and fixes the price of its product accordingly.
- ii. **Product cost:** The second important factor is the cost of a product or services. Product cost includes the cost of procuring, distributing and selling the product. It is important that the price should recover Total Costs (Fixed Costs + Variable Costs) in the long-run including a profit margin over and above the costs.
- iii. **The Extent of competition in the market:** Competition is another important consideration while pricing a product. Under the monopoly situation, a firm can enjoy complete freedom in fixing the price of its product. But in case of intense competition, a firm should fix the price keeping in mind the price of the competitor's product to capture a large market share.
- iv. **Government and legal regulations:** In order to protect the interest of the public against unfair practices, the government has all rights to control the prices of various products and services. The government fixes the price of essential commodities, e.g. medicines, petrol, sugar, etc. A firm should not charge a higher price, otherwise, it would invite government action.
- v. **Demand and supply conditions:** Whether the price of the product should be high or low, depending on the demand and supply conditions. If the demand of the product is inelastic or product is highly demanded then the price can be high but when demand is elastic and low demand then the price has to be brought down.
- vi. **Marketing method used:** The price of the product also gets affected by the various methods of marketing used by a firm to promote the products. If a firm is using intensive advertising to promote the sale of a product, then it will charge a higher price for it. Other marketing methods which affect the price of the product are packing, advertising, distribution system etc.