

CBSE
Class XII Business Studies
All India Board Paper Set 1 – 2012

Time: 3 hrs

Max. Marks: 100

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.
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General Instructions:

- (i) **All** questions in both the sections are compulsory.
 - (ii) Marks for questions are indicated against each question.
 - (iii) Questions No. **1 – 10** are very short-answer questions carrying **1** mark each. They are required to be answered in one sentence each.
 - (iv) Questions No. **11 – 15** are short answer questions carrying **3** marks each. Answers to them should normally not exceed **50 – 75** words each.
 - (v) Questions No. **16 – 20** are also short answer questions carrying **4** marks each. Answers to them should normally not exceed **150** words each.
 - (vi) Question number **21 – 25** are long-answer questions carrying **5** marks each. Answers to them should normally not exceed **150** words each.
 - (vii) Question number **26 – 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.
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1. Name the type of plan that provides the broad contours of an organisation's business. **[1]**
2. Planning always lead to success.' Do you agree? Give reasons in support of your answer. **[1]**
3. Identify the nature of management when it is practised as personal application of existing knowledge to achieve desired result. **[1]**
4. Name the level of management at which the managers are responsible for implementing and controlling the plans and strategies of the organisation. **[1]**

5. Give the meaning of placement as a step in the process of staffing. [1]
6. Define communication'. [1]
7. State any one 'Development function' of Securities Exchange Board of India (SEBI). [1]
8. State any one advantage of Over the Counter Exchange of India. [1]
9. State how 'self-regulation of business' acts as a means of consumer protection. [1]
10. Give any one responsibility of a consumer in addition to obtaining cash receipt while purchasing a washing machine. [1]
11. Explain how principles of management
 - i. Help in optimum utilisation of resources and elective administration
 - ii. Help the managers in meeting changing environment requirements[3]
12. Why is training important for the employees? State any three reasons. [3]
13. What is meant by 'financial planning'? State any two points of its importance? [3]
14. Mansi, a shoe manufacturer for schools students, decided to maximise her profit by producing and distributing at large scale and thereby reducing average cost of production.
 - i. Identify the marketing management philosophy adopted by Mansi.
 - ii. Explain this philosophy on the basis of
 - a. Main focus
 - b. Means and ends[3]
15. Explain any three assumptions of Maslow's Need Hierarchy Theory. [3]
16. Explain that technique of scientific management which is the strongest motivator for a worker to reach a standard performance. [4]
17. State any four points of importance of organising function of management. [4]
18. Investment decision can be long-term or short-term. Explain the long-term investment decision and state any two factors affecting this decision. [4]
19. Explain the following 'Rights of consumers' a. Right to be informed b. Right to seek redressed. [4]
20. Atul is working in an organisation. After every three months his manager transfers him from one department to another so that he may gain a broader understanding of all the

departments of the organisation. Name and explain the method of training Atul is undergoing[4]

21. Explain how management 'increases efficiency' and 'helps in development of society'? [5]

22. State any five points that clarify how understanding of Business Environment helps the managers. [5]

23. State any five limitations of planning. [5]

24. Pranav is engaged in Transport businesses. Identify the working capital requirements of Pranav stating the reason in support of your answer. Pranav also wants to expand and diversify his transport business. Explain any two factors that will affect his fixed capital requirements. [5]

25. Differentiate between advertising and personal selling on any five bases. [5]

26. What is meant by 'Formal organisation'? State any three advantages and any two limitations of formal organisation.

OR

'Delegation is the entrustment of responsibility and authority to another and the creation of accountability for performance'. In the light of this statement identify and explain the essential elements of delegation. [6]

27. What is meant by leadership? Explain any four qualities of a good leader.

OR

What is meant by directing as a function of management? Describe any four points of its importance. [6]

28. What is meant by budgetary control? State any five advantages of budgetary control.

OR

What is meant by controlling? State any five points highlighting the importance of controlling. [6]

29. Explain any four functions of 'stock exchange'.

OR

Explain any four methods of floatation of new issue in the 'primary market' [6]

30. Consumer products are classified on different basis. 'Durability of the product' is one of them. Explain any three types of products in this category.

OR

Physical distribution includes some components for physically moving the goods from manufacturers to the customers. Explain these components. [6]

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Answer 1

Strategy is the type of plan which provides the broad contours of an organisation's business.

Answer 2

No, planning does not always lead to success. The probability of attaining success once the plans have been put into action is odd. Often managers tend to rely on previously tried and tested successful plans. However, the business environment is dynamic and a pretested plan may or may not work in the future.

Answer 3

The nature of management when it is practised as personal application of existing knowledge to achieve desired result is management as art.

Answer 4

The level of management at which managers are responsible for implementing and controlling the plans and strategies of the organisation is middle-level management.

Answer 5

Placement refers to actually occupying the position by the selected employee.

Answer 6

Communication refers to the exchange of information, facts and feeling such that a common understanding is created.

Answer 7

One of the development functions of SEBI is to provide training to intermediaries of the securities market. This helps in promoting healthy growth of the securities market.

Answer 8

One of the advantages of Over the Counter Exchange of India is that it caters to the needs of small companies and helps them in maintaining liquidity of their securities.

Answer 9

For any business, consumer satisfaction is essential. In today's times, with increasing competition, consumer satisfaction has become all the more important. As the organisation takes care of consumer interests, it builds goodwill and reputation in the market. This in

turn helps in increasing the sales and profits of the business. Thus, protecting consumer's interests benefits the business in the long run.

Answer 10

A consumer should carefully read the instruction manuals provided by the manufacturer before using the washing machine.

Answer 11

- i. **Help in optimum utilisation of resources and elective administration:** One of the basic aims of management is the optimum utilisation of resources. The principles of management help in predicting the exact cause and effect relationship of a decision. Accordingly, they eliminate the need for trial and error and thereby minimise wastage of resources.
- ii. **Help managers in meeting changing environment requirements:** Management principles were developed over time by exhaustive observations and experimentation by managers in different situations. Thus, they help in successfully predicting the business environment and business situations.

Answer 12

Importance of training for employees:

- i. **Better career opportunities:** Training helps in improving the knowledge of the employee which in turn helps in improving his career prospects.
- ii. **Earn more:** By helping the individual to improve their knowledge and skills, training improves the earning prospects of employees.
- iii. **Less accident prone:** With proper training, employees become more efficient in handling complex machines. This helps in reducing the chances of an accident.

Answer 13

Financial planning involves identifying the sources from where the funds can be obtained and ensuring that the required funds are available to the firm as and when needed.

Importance of financial planning:

1. Identifying the sources from where the funds can be raised and ensuring that the required funds are available to the firm as and when needed.
2. To ensure that there is proper utilisation of funds in the sense that there is neither surplus nor inadequate funding by the firm.

Answer 14

- i. The marketing management philosophy adopted by Mansi is production concept.
 - a. The main focus of this philosophy is on increasing the volume of production and curtailing the average cost of production.

- b. Means is to improve the product and end is to earn profit through large-scale production.

Answer 15

Assumptions of Maslow's Need Hierarchy Theory:

- i. People behave according to their needs and desires.
- ii. It is possible to arrange the needs of an individual in an order of hierarchy.
- iii. An individual would move to a higher level need in the hierarchy only when the need at the lower level is appropriately satisfied.

Answer 16

Differential piece wage system is the technique of scientific management which is the strongest motivator for a worker to reach a standard performance.

Under this system, different wages are paid to efficient and inefficient employees. Employees who perform better are paid higher wages than employees who perform below the standard target. This motivates employees to become efficient and earn more.

Answer 17

Importance of organising function of management:

- i. **Leads to specialisation:** Under organising, similar activities are grouped together in departments. This grouping is on the basis of criteria such as regions and products. It promotes specialisation in work.
- ii. **Clarity in working relationships:** A proper hierarchical structure is established under organising. Hence, every employee would be clear that from whom he would take orders and to whom he is reporting. Such clarity in working relationships help in smooth operations in the organisation.
- iii. **Optimum utilisation of resources:** Under organising, various activities in the organisation are identified and are divided according to the plans. Division of work ensures that there is no duplication of work. In this way, it avoids the wastage of resources and leads to optimum utilisation of resources.
- iv. **Development of personnel:** Delegation proves beneficial to subordinates as well in the sense that it provides them with the opportunity to work independently, apply their own creativity and skills. This helps in their growth and development.

Answer 18

Long-term investment decisions affect a firm's long-term earning capacity and profitability. They are also known as the capital budgeting decisions. For example, decision to purchase a new machine and land.

Factors which affect long-term investment decisions of a company:

1. **Cash flows of the project:** When the organisation invests in any project, it leads to generation of cash flows and receipts. Before investing in any project, it is essential for the organisation to carefully analyse the expected cash flows from the project.
2. **Rate of return:** Organisations must analyse the rate of return of the project before making a long-term investment decision. Generally, investments should be made in projects which yields a higher rate of return.

Answer 19

1. **Right to be informed:** Every consumer has the right to have complete information with regard to goods and services. For instance, they must have information regarding quality, quantity, price, ingredients and weight of goods and services. In India, it is mandatory by law for manufacturers to provide information about the product on its package and the label. This helps the consumer in making an informed wise choice.
2. **Right to seek redressal:** It is the right of consumers to seek redressal in case of a grievance and, if required, demand a suitable compensation. The Consumer Protection Act provides for compensation in the form of replacement of product, cash compensation and repair/removal of defects.

Answer 20

The method of training which Atul is undergoing is job rotation.

- Employees are shifted from one job to another, one department to the needed department or from one shift to another.
- The employee who undergoes this process gains a broader perspective, i.e. learns the functioning of the whole organisation.
- This method makes it easier for the organisation to take decisions at the time of promotions, replacements or transfers.

Answer 21

- i. **Increases efficiency:** Management increases efficiency by reducing the costs and increasing the productivity by proper planning, organising, staffing, directing and controlling.
- ii. **Helps in 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.

Answer 22

Importance of understanding business environment:

- i. **Identification of opportunities and threats:** The business environment is ever evolving. An interaction with the environment and careful analysis will help a business identify positive opportunities and possible threats. An identification of threats can enable the organisation to take appropriate measures such as improving

the quality and features of its advertising. It enables the organisation to grab these opportunities, gain maximum benefit and move ahead of its competitors.

- ii. **Accumulating useful resources:** The environment offers itself as a source of inputs such as raw material, machinery and labour for the running of an organisation. In return, the business supplies the environment with its output. This is possible only if the enterprises have an understanding of what the environment desires and what it can offer. Thus, it is rational for organisations to take up those resources from the environment which can be converted to the desired output.
- iii. **Adjusting to changes:** Business environment is dynamic and is prone to numerous socioeconomic changes. A careful analysis and understanding of the environment helps an enterprise in adapting to these changes and take timely actions.
- iv. **Formulating plans and policies:** Understanding and analysing opportunities and threats help a business frame suitable plans and policies in view of the current scenario.
- v. **Improving performance:** The main aim behind analysing and understanding the environment is to improve a firm's performance and efficiency. The future of an organisation depends on how closely it bonds with the environment and thrives to survive its ever changing policies.

Answer 23

Limitations of planning:

- i. **Rigidity:** For any unforeseen conditions, the changes which can be made to a plan are limited. A major change to the already created plan is neither possible nor would do any good in the interest of an organisation. This rigid nature of a plan creates hurdles at times of unforeseen changes. Managers may, sometimes, require certain degree of flexibility so as to cope with the changes in an appropriate manner. Rigidity in plans sometimes causes huge losses to the organisation and creates obstacles in the completion of the objectives.
- ii. **Unfavourable for a dynamic environment:** Nothing is constant in a business environment; it is dynamic. Planning completely depends on the anticipation of future happenings. As a result, both do not go hand-in-hand. Planning cannot foresee sudden changes in the business. This may lead to failure in the accomplishment of objectives. An organisation must adapt its functioning to the changing environment; long-term planning will make this dynamic environment less effective.
- iii. **Gigantic costs:** Planning involves analysis, research and scientific calculations which require huge cost and time. As planning is based on predictions, it requires a lot of thinking and analysing. It involves scientific calculations along with figures and facts which are to be used in formulating the course of action. Companies thus need to hire professionals who would formulate plans. This involves high costs. Moreover, sometimes it might happen that the benefits derived from planning fall short of the costs incurred.

- iv. **False security:** Good planning does not guarantee success. The probability of attaining success once the plans have been put into action is odd. Often managers tend to rely on previously tried and tested successful plans. However, business environment is dynamic and a pretested plan may or may not work in the future. Managers tend to over think that planning can prevent problems from occurring. However, they neglect the fact that planning just provides a base for predicting the future and does not give solutions to problems right away.
- v. **Time consuming:** Formulating a plan involves analysis, research and scientific calculations which consume too much of time. It is a boon while facing a definite situation. However, unforeseen situations cannot be tackled; there is no short-term planning procedure. The time taken to formulate a complete plan may cause delays in the decision-making process.

Answer 24

The working capital requirement of Pranav would be low. This is because he is engaged in the transport of fruits and vegetables where no processing is involved.

Factors affecting fixed capital requirement of Pranav:

- i. **Growth prospects:** Pranav’s business is growing and expanding, so it will require higher amount of fixed capital.
- ii. **Available alternatives for financing:** If Pranav’s business gets the leasing facilities, then the requirement of fixed assets will be less.

Answer 25

Basis	Advertising	Personal Selling
Form	Impersonal form of communication	Personal form of communication
Reach	Broader reach as huge number people can be reached in one go	Narrower reach as few people be directly reached
Flexibility	Inflexible as advertisements cannot be changed according to the customer’s requirement	Flexible as seller can change the message according to the customer’s requirement
Suitability	Suitable where marketing has to be done on a large scale	Suitable where marketing has to be done for a few consumers
Cost	Cost per person is low	Costly

Answer 26

A formal organisation is one wherein the boundaries of authority are systematically and clearly defined in an organisation.

Advantages of a formal organisational structure:

- i. Responsibility can be easily fixed in a formal organisation as a scalar chain is followed.
- ii. There is no duplication of work as employees know their key responsibility areas.

- iii. The superior-subordinate relationship is clearly defined in a formal organisation. Thus, unity of command is maintained.

Limitations of a formal organisation:

- i. Scalar chain has to be followed in a formal organisation which leads to delay in decision making.
- ii. Formal organisation does not give importance to human relationships and focuses more on work.

OR

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. Authority flows from top to bottom, i.e. the top-level management has the highest authority, then the middle level and the lowest is the lower level management. 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.
- 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 27

Leadership refers to influencing the behaviour of employees such that there is an improvement in their willingness to work and achieve organisational objectives. Good leadership boosts the self-confidence of workers and induces workers to work to the best of their capabilities.

Qualities of a good leader:

1. **Physical attributes:** It is a general perception that people with good physical features and an attractive personality make good leaders. One who is healthy and active himself can work efficiently. The one who works to the best of his ability is looked up to and induces others to improve performance.
2. **Honesty:** A good leader should maintain a high level of honesty and integrity such that he is an idol for others in terms of these values. He must demonstrate an ethical behaviour.

3. **Intelligence:** A leader must have high knowledge and intelligence. He should have a strong presence of mind. He must be able to use logic and facts for decision making. He must be able to provide solutions to various problems encountered during working.
4. **Inspiration:** A leader should be able to inspire and influence others. He must be a source of inspiration and motivation to others. He must be looked up to in terms of work, performance, values and ethics.

OR

Directing refers to the process of providing instructions, guidance, counselling and motivation to employees towards achieving the goals and objectives of an organisation.

Importance of directing:

- i. **Initiates action:** Directing helps in initiating action as it provides the directions and instructions regarding work. Also, work is properly supervised and workers are motivated so that organisational goals can be achieved.
- ii. **Integration of efforts:** Directing combines the efforts of different individuals and channelises them towards the goals of the organisation.
- iii. **Employee development:** Directing provides motivation to employees to work efficiently and brings out the best in employees. In this way, it leads to development of employees.
- iv. **Facilitates changes:** Changes can be easily introduced through directing. Because of directing, employees reduce the resistance towards change.

Answer 28

Under the technique of budgetary control, budgets are prepared for each activity and operation in the organisation. Here, the term budget refers to defining the goals and objectives which are to be achieved in quantitative terms. Then the actual results of the activities are compared with budgetary standards. Accordingly, the work done is assessed and evaluated. Deviations from the set standards are identified and corrective actions are decided. In an organisation, a budget can be prepared for various divisions such as the sales budget and production budget. However, it must be remembered that for the budgeting technique to be effective, the estimates with regard to the future should be made carefully.

Advantages of budgetary control:

- i. Budgetary control helps in the attainment of goals of the organisation as deviations from the set standards are identified under this technique and corrective actions are decided.
- ii. By setting budgets, employees know the standards against which their performance would be evaluated. This motivates employees to improve their performance and achieve the standards so set.
- iii. Budgetary standards promote coordination among different divisions/departments of the organisation.
- iv. Through proper budgeting, the resource requirement of various departments can be assessed. Accordingly, the resources can be allotted to different divisions. In this

- way, it helps in optimum utilisation of resources.
- v. It facilitates management by exception.

OR

Controlling refers to making sure that various activities and tasks in an organisation are performed according to predefined goals and objectives.

Importance of controlling:

1. **Achieving goals:** Controlling ensures that various activities are performed correctly according to plans. It ensures that deviations if any are identified and appropriate corrective action is taken.
2. **Reviewing 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.
3. **Enables efficiency in resource utilisation:** An effective control system ensures that there is minimum wastage of resources. In other words, it ensures that the resources are used optimally and in the most efficient manner.
4. **Better motivation:** With controlling, employees know what is expected from them and how their performance would be evaluated. This clarity motivates employees to perform better.
5. **Maintain order:** Controlling helps keep a close watch on the activities and behaviour of employees. In this way, it helps in maintaining order and discipline in the organisation.

Answer 29

Functions of a stock exchange:

- i. **Provides liquidity and marketability:** The stock exchange provides a platform where sale and purchase of existing securities can take place. In this way, the stock exchange facilitates the conversion of securities to cash as and when required. In addition, it renders liquidity to long-term securities and can be converted to medium-term and short-term securities.
- ii. **Determination of prices:** A stock exchange acts as a link for the interaction of buyers and sellers. In other words, it helps in the interaction of demand and supply forces, and thereby helps in establishing the price of securities.
- iii. **Fair and safe market:** A stock exchange provides a safe and fair market for trading of securities. It functions according to a well-regulated legal framework.
- iv. **Facilitates economic growth:** By facilitating the sale and purchase of securities, the stock market helps in channelising savings to the most productive investment. This in turn promotes capital formation and economic growth.

OR

Methods of flotation of new issues in the primary market:

- i. **Offer through sale:** Securities are issued through intermediaries such as stock brokers or issuing houses. In other words, companies first sell securities to intermediaries who in turn resell to the public at a price higher than the face value (to command profit).
- ii. **Private placement:** The company allots securities only to some selected individuals or institutional investors. In this way, the company can save various expenses such as the cost of manager fees, commission and underwriter fees. It is preferred by those companies which are not in a position to afford public issue.
- iii. **Rights Issue:** Existing shareholders of the company are offered new shares. The shares offered are in proportion of the shares already held by them. This is in accordance with the Companies Act, 1956.
- iv. **e-IPOs:** Securities are issued through an online system. For this, a company has to get into an agreement with the stock exchange. It needs to get listed in a stock market (except on which it has already offered securities). It appoints brokers who accept applications and place orders for the company.

Answer 30

On the basis of durability of the product, products are divided into

- i. **Durable products:** These are tangible consumer products and can be used for a longer period. Examples: Television, refrigerator, washing machine

Characteristics of durable goods:

- a. These goods are expensive.
- b. They require personal selling efforts and after sales services.
- c. Guarantee on these products is provided by the seller.

- ii. **Non-durable products:** These are consumer products which can be consumed in one or a few uses. Examples: Vegetables, detergents, soaps

Characteristics of non-durable goods:

- a. These goods are comparatively cheap.
- b. They are made available in many locations.
- c. They need to be heavily advertised.

- iii. **Services:** These are durable and non-durable goods which are intangible. These are activities which are sold. Examples: Services offered by a doctor, a lawyer, a teacher

Characteristics of services:

- a. They are intangible.
- b. They cannot be separated from their source.
- c. Services cannot be stored.
- d. They are variable.

OR

Components of physical distribution:

- i. **Processing of order:** These are activities which take place between the placement of order and the final delivery to the consumer. It comprises steps such as placement of order, intimation of order to the manufacturer and delivery of goods. The system of distribution should be such that the processing of order is speedy. A speedy processing with sufficient accuracy leads to greater customer satisfaction.

- ii. **Transportation of products:** Transportation of products implies physical transfer of goods from the place of manufacturing to the place of actual consumption.
- iii. **Warehousing:** Warehousing implies storing goods before they are finally sold to consumers. Storing of goods at the warehouse enables ready availability of goods at different locations as and when required. However, warehousing involves costs as well. Thus, the benefits of warehousing must be weighed against the costs involved so as to maintain a balance according to the requirement.
- iv. **Maintenance of inventory:** Maintaining inventories enables timely supply of products as and when required. Similar to warehousing, maintenance of inventory also involves a cost.