

CBSE
Class XII Business Studies
All India Board Paper Set 2 – 2013

Time: 3 hrs

Max. Marks: 90

Note:

- Please check that this question paper contains 12 printed pages.
- Code number given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.
- Please check that this question paper contains 30 questions.
- **Please write down the Serial Number of the question before attempting it.**
- 15 minutes time has been allotted to read this question paper. The question paper will be distributed at 10.15 a.m. From 10.15 a.m. to 10.30 a.m., the students will read the question paper only and will not write any answer on the answer-book during this period.

General Instructions:

- (i) **All** questions in both the sections are compulsory.
- (ii) Marks for questions are indicated against each question.
- (iii) Questions Nos. **1 – 12** are very short-answer questions carrying **1** mark each. They are required to be answered in one sentence each.
- (iv) Questions Nos. **13– 18** are short answer questions carrying **3** marks each. Answers to them should normally not exceed **50 – 75** words each.
- (v) Questions Nos. **19 – 22** are also short answer questions carrying **4** marks each. Answers to them should normally not exceed **150** words each.
- (vi) Question Nos. **23 – 26** are long-answer questions carrying **5** marks each. Answers to them should normally not exceed **150** words each.
- (vii) Question Nos. **27 – 30** are long-answer questions carrying **6** marks each. Answers to them should normally not exceed **200** words each.
- (viii) Answers should be brief and to the point and the above word limits should be adhered to as far as possible.

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

4. What is meant by 'Principles of Management'? [1]
5. State how staffing ensures 'continuous survival and growth of the enterprise'. [1]
6. Name and state the 'on-the-job method of training' that is used to give training to the electricians. [1]
7. What is meant by 'Democratic style of leadership'? [1]
8. What is meant by 'Motivation'? [1]
9. State the essential function of a 'primary market'. [1]
10. Name two alternative mechanisms through which allocation of funds can be done. [1]
11. What is the advantage of registering 'trade mark'? [1]
12. State the meaning of 'Product Identification' function of packaging. [1]
13. Explain how 'critical point of control' helps in controlling process. [3]
14. Explain how controlling helps in:
 - a. Making efficient use of resources
 - b. Improving employee's motivation[3]
15. Explain any three functions of Stock Exchange. [3]
16. State any three 'Protective functions' of Securities and Exchange Board of India (SEBI). [3]
17. Explain any three points of importance of consumer protection from the point of view of business. [3]
18. State any six reliefs available to a consumer when the consumer court is satisfied with the genuineness of the compliant. [3]
19. Sahil, the director of a garments company, is planning to manufacture bags for the utilisation of waste material of one of his garments units. He decided that this manufacturing unit will be set up in a rural area of Odisha where people have very less job opportunities and labour is available at very low rate. He also thought of giving equal opportunities to men and women.
For this he selected S. Chatterjee, Inderjeet Kaur, Aslam and Sarabjeet as heads of Sales, Accounts, Purchase and Production departments.
 - i. Identify and state the next two steps that Sahil has to follow in the staffing

process after selecting the above heads.

- ii. Also, identify two values which Sahil wants to communicate to the society by setting up this manufacturing unit. [4]

20. Explain the concept and the objective of Financial Management. [4]

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

22. What is meant by 'Investment Decisions'? State any three factors which affect the 'investment decision'. [4]

23. State any five characteristics of management. [5]

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

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

25. Explain any five limitation of planning. [5]

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

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

Identify the different dimensions of business environment by quoting the lines from the above particulars. [5]

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

OR

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

28. Explain the following non-financial incentives.

- i. Status
- ii. Organisational climate
- iii. Career advancement opportunities

OR

Explain any four psychological barriers to effective communication.

[6]

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

OR

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

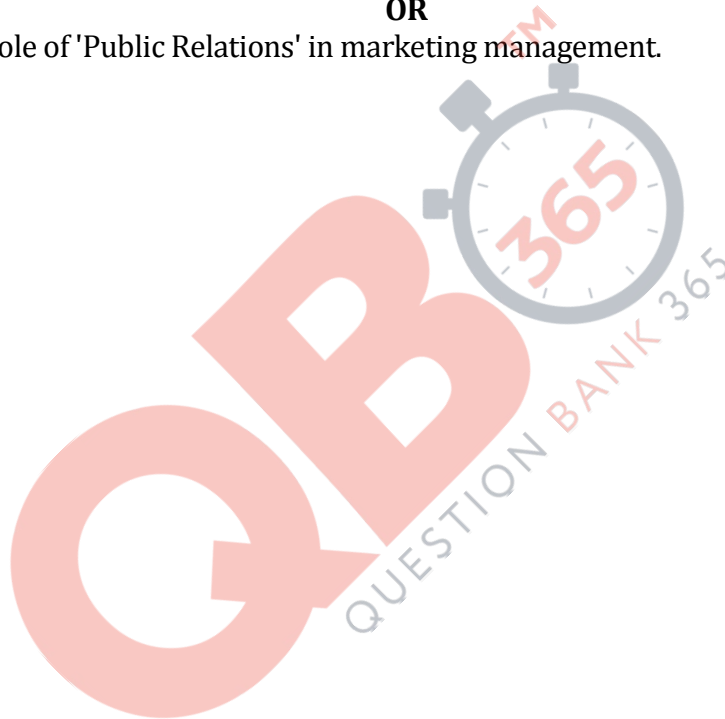
[6]

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

OR

Explain the role of 'Public Relations' in marketing management.

[6]



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Answer 1

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

Answer 2

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

Answer 3

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

Answer 4

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

Answer 5

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

Answer 6

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

Answer 7

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

Answer 8

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

Answer 9

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

Answer 10

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

Answer 11

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

Answer 12

Packaging performs the product identification function. With the help of packaging, customers are able to identify the product.

Answer 13

Critical point control helps in the controlling process. According to this technique, rather than controlling all the activities in the management, only the key result areas, i.e. those that affect the entire organisation, should be focused on.

Answer 14

- i. **Making efficient use of resources:** 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.
- ii. **Improving employee motivation:** With controlling, employees know what is expected from them and how their performance would be evaluated. This clarity motivates employees to perform better.

Answer 15

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.

Answer 16

Protective functions of Securities and Exchange Board of India (SEBI):

- i. **Prohibition:** SEBI keeps an eye on various activities and operations in the securities market. It works towards prohibiting fraudulent and unfair trade practices. SEBI provides useful information to investors as required by them and which helps them in taking wise decisions. It keeps an eye on and prevents the spread of any misleading and manipulative statements which would affect the working of the securities market.
- ii. **Checks on Insider Trading:** Sometimes, an individual connected with a company spreads important crucial information regarding it. Such a leak of information may adversely affect the share price of the company. Such a practice is known as insider trading. SEBI keeps control on such activities and imposes penalties as and when required.
- iii. **Promotion and Protection:** SEBI works towards promoting fair trade practices. It provides for a code of conduct for intermediaries. Various steps are undertaken for investor protection.

Answer 17

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

- i. **Long-term Interest:** 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 interests benefits the business in the long run.
- ii. **Use of Resources:** Any business survives on the basis of society. It uses the resources of society for its various production activities. It earns profits with the sale of these goods and services to society. Thus, the business must take care of the interest of society and supply goods and services which adhere to the overall interests and well-being of society.
- iii. **Ethical Reasoning:** Every business must follow basic moral and ethical values. It must not follow any such business practices which lead to exploitation of consumers in any form.

Answer 18

Reliefs available to a consumer when the consumer court is satisfied with the genuineness of the complaint:

- i. Repairing the defect in goods or removing the deficiency in the service
- ii. Providing a new good instead of the defective good
- iii. Refunding the cost of the good or the service to the consumer
- iv. Providing compensation in cash in case of loss or injury

- v. Payment of punitive damages
- vi. Removing any misleading advertisements and passing orders for issuing a correct advertisement.

Answer 19

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

Answer 20

Financial management is efficiently acquiring and using funds. The basic objective of financial management is to maximise the wealth of shareholders. It aims at taking financial decisions which prove beneficial for shareholders. Such financial decisions are taken wherein the anticipated benefits exceed the cost incurred. This in turn implies an improvement in the market value of shares. An increase in the market value of shares is gainful for shareholders. In other words, financial decisions must be taken which lead to value addition to the company, so the price of the equity share rises. As this basic objective is fulfilled, other objectives such as optimum utilisation of funds and maintenance of liquidity are also fulfilled automatically.

Answer 21

Factors affecting the fixed capital requirement of a company:

- i. **Scale of Operations:** If an organisation operates on a large scale, then it will require more fixed capital. On the contrary, for a small-scale organisation, less fixed capital is required.
- ii. **Choice of Technique:** If an organisation opts for capital intensive technique, then it will be requiring more fixed capital. On the other hand, the requirement of fixed capital will be less if a labour-intensive technique is used by the organisation.
- iii. **Nature of Business:** The nature of business is one of the important determinants of fixed capital requirement. For instance, organisations dealing in services require

low fixed capital. As against this, an organisation dealing in manufacturing would require large fixed capital.

- iv. **Technology Upgradation:** If technology needs to be upgraded sooner in the organisation, then there will be more requirement of fixed capital and *vice versa*.

Answer 22

Investment decision refers to the decisions regarding investment of funds in different assets such that the firm can earn maximum returns. Such decisions affect the earning capacity of the business in the long run.

Factors affecting investment decisions:

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:** Organisation must analyse the rate of return of the project before making the long-term investment decision. Generally, investment should be made in the project which yields a higher rate of return.
3. **Investment criteria:** Before investing in a particular project, an organisation performs various calculations with regard to the total amount of investment, expected rate of return, expected cash flows and interest rate.

Answer 23

Characteristics of management:

- i. **Goal-oriented process:** Management always aims at achieving the goal of the organisation. In the given scenario, the school also wants to achieve the goal of development of students, encouragement of team building and execution of the Founder's Day programme.
- ii. **Group activity:** Management is a group activity as it unifies individual efforts towards the achievement of a common organisational goal. In the given scenario, all the students with mutual trust and belongingness executed the plan.
- iii. **Pervasive:** Management is pervasive in the sense that various functions of management are performed by every organisation irrespective of its nature, size, characteristics and geographical location. In other words, every organisation needs management.
- iv. **Continuous process:** Management is said to be a continuous process in the sense that managers perform several functions simultaneously. However, it may happen that at a particular point of time, one function is accorded greater priority than the other. For instance, on a certain day, greater time is devoted towards planning, while on another day, the controlling function is given priority.
- v. **Multidimensional process:** Management is regarded as multi-faceted as it involves numerous dimensions which render complexity to the process of management. Three main dimensions of management:

- **Managing work:** Management helps in translating this work in terms of the objectives and goals which are to be achieved.
- **Managing people:** It is the people in the organisation who work towards the goals and objectives defined by the organisation. Accordingly, managing people forms another important dimension of management.
- **Managing operations:** Management is required to ensure that production operations are performed smoothly.

Answer 24

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

Answer 25

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.
- ii. **Unfavourable for a dynamic environment:** Planning completely depends on the anticipation of future happenings. It cannot foresee sudden changes in the business and fails in case of uncertainties. This may lead to failure in the accomplishment of objectives. An organisation must adapt its functioning to the changing environment.
- iii. **Gigantic costs:** Planning involves analysis, research and scientific calculations which requires 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 simply 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 take time. It is a boon while facing a definite situation. However, sudden unforeseen situations cannot be tackled; there is no short-term planning procedure. The time taken to formulate a complete plan may cause delay in the decision-making process.

Answer 26

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

- i. Incomes are rising and people can afford to buy these bags-Economic environment
Economic Environment: Economic factors such as unemployment rates, stock market indices, inflation rate and interest rate within which a business conducts and operates its working points to the general condition of the economy. Because these factors have a direct impact on the business, a businessman should scan the economic environment and take timely actions to deal with it.
- ii. Society generally is more concerned about the quality of life-Social environment
Social Environment: Social environment implies the nature of lifestyles, customs, literacy rates, traditions, social trends, educational levels and other characteristics of society. These factors cannot be overlooked as they have an impact on society in the long run.
- iii. Innovative techniques are being developed to manufacture jute bags at low rates-Technological environment
Technological Environment: The nature of technology available and used by the economy or production house falls under the technological dimension. Any new scientific improvements, new procedures or techniques for improving the quality of services and goods facilitate a firm's effectiveness and efficiency to survive in the competing world. Technological environment comprises technological changes and improvements and may also get reflected in factors such as expenditure on R&D and rate of obsolescence.
- iv. The court passed an order to ban polythene bags-Legal environment
Legal Environment: It refers to the legislation and rules framework impacting the business. These laws relate to consumer protection, joint stock companies, employment relation and health and safety. It is framed by the Parliament and passed by the government such as the Companies Act, 1956, Industries Dispute Act, 1947, and Trade Union Act, 1926.
- v. The government decided to give subsidy to the jute industry to promote this business-Political environment
Political Environment: It is a combination of different ideologies advocated by different parties. The factors relating to affairs such as political stability, power and attitude of government towards policies and societies constitute the political

environment. It has a direct and immediate impact on business transactions and its functioning.

Answer 27

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

Features of an informal organisation:

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

OR

Essential elements of delegation:

- i. **Authority:** It refers to the power of giving commands and directions to subordinates. Herein, power is given with regard to deciding what activities are to be done and by whom. In a formal organisation, a scalar chain defines authority. In an organisation, the authority flows from top to bottom, i.e. the top-level management has the highest authority, then the middle level and finally the lower level. Assigning authority promotes obedience and compliance in the organisation.
- ii. **Responsibility:** Responsibility refers to the obligation that the task which is assigned is successfully completed within the stipulated time. A responsible subordinate is obedient and loyal towards the duties assigned to him. Contrary to authority, responsibility flows upward, i.e. the subordinate is responsible to his superior. However, it must be ensured that while giving responsibility, a fair degree of authority is also given. Similarly, the one who has authority must also be responsible. This is because without responsibility, authority may lead to the unjustified use of power. On the other hand, responsibility without authority would hamper efficiency.
- iii. **Accountability:** Accountability implies being answerable for the outcome of the work. In an organisation, the superior is accountable for the work assigned by him. Although he has delegated the work to subordinates, he is still responsible for the outcome. The superior must ensure that the tasks are performed and completed satisfactorily. For this, regular feedback and supervision must be given.

Answer 28

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

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

- ii. **Organisational climate:** Characteristics of the organisation such as employee autonomy, incentives and rewards affect employee behaviour. If the management develops the organisational climate, then it encourages employees to work more efficiently.
- iii. **Career advancement opportunities:** Employees must be given ample opportunities to develop their skills and knowledge such that they are able to improve their career prospects. This can be done through training and development programmes.

OR

Psychological barriers to effective communication:

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

Answer 29

Factors affecting the choice of an appropriate channel of distribution:

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

OR

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

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

Answer 30

Role of advertising in marketing management:

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

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

OR

Role of public relations in marketing management:

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