

PRACTICE PAPER-1 MARKING SCHEME BUSINESS STUDIES

2020-2021

Q. NO.	CONTENT	MARKS
Q 1.	(c) Delegation.	1
Q 2.	(b) Relativity.	1
Q 3.	(a) Control by exception.	1
Q 4.	(c) Constitution of the country.	1
Q 5.	(a) Increase in administrative work.	1
Q 6.	(d) Social.	1
Q 7.	(d) Employer paid insurance	1
Q. 8	Coordination	1
Q. 9	(c) Authority and Responsibility.	1
Q. 10	a) Management by exception	1
Q. 11	(b) Divisional structure.  <b>OR</b> (b) Organising	1
Q. 12	(c) Standards should be set in precise qualitative terms.	1
Q. 13	C. Both A & B	1
Q. 14	A. Private Placement of shares	1
Q. 15	Offer through prospectus	1
Q. 16	A. 30 %	1
Q. 17	(a) Personal Selling.	1

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Q. 18	(c) Marketing planning.	1
Q.19	(b) Price.	1
Q. 20	(c) Product concept.	1
Q. 21	<p><b>Middle level management.</b>            Any 2 functions of middle level management.</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> They serve as a link between the top level and lower level management</li> <li><input type="checkbox"/> They are responsible for implementing and controlling plans and strategies developed by top management.</li> <li><input type="checkbox"/> They ensure that their department has the necessary staff.</li> <li><input type="checkbox"/> They assign duties and responsibilities to their personnel.</li> <li><input type="checkbox"/> They motivate the people in their department to achieve desired objectives.</li> </ul>	1+2=3
Q. 22	<p><b>Apprenticeship Training-</b> In the Apprenticeship Programme, a master worker or a trainer is appointed who guides the worker or learner regarding the skill of job. The master worker performs the job and the trainee (learner) observes him performing. When the learner learns all the skills then slowly he starts taking up the job step by step and master worker becomes the observer. When the trainee becomes perfect in doing the job then master worker goes and trainee gets full charge of job position. It is suitable for people seeking to enter skilled traits for example-plumbers, electricians, iron workers, etc.</p> <p><b>Vestibule training-</b>Employees learn their jobs on the equipment they will be using, but the training is conducted away from the actual work floor. Actual work environments are created in a class room and employees use the same material, files and equipment.</p> <p>Apprenticeship Training---<b>On- the –job method of training</b>            Vestibule Training----<b>Off-the-job method of training</b></p>	<p>1 + 1 + 1 = 3</p>
Q. 23	<p>Yes.            Importance of controlling: (Any three)</p>	

	<p>1. <b>Accomplishing organisational goals:</b> The controlling function measures progress towards the organisational goals and brings to light the deviations, if any, and indicates corrective action.</p> <p>2. <b>Judging accuracy of standards:</b> A good control system enables management to verify whether the standards set are accurate and objective.</p> <p>3. <b>Making efficient use of resources:</b> By exercising control, a manager seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with predetermined standards and norms.</p> <p>4. <b>Improving employee motivation:</b> A good control system ensures that employees know well in advance what they are expected to do and what are the standards of performance on the basis of which they are appraised.</p> <p>5. <b>Ensuring order and discipline:</b> Controlling creates an atmosphere of order and discipline in the organisation.</p> <p>6. <b>Facilitating coordination in action:</b> Controlling provides direction to all activities and efforts for achieving organisational goals.</p> <p align="center">OR</p> <p>Process is <b>Controlling.</b>  <b>Steps of controlling:</b></p> <ol style="list-style-type: none"> <li>i. Establishment of standards.</li> <li>ii. Measurement of performance.</li> <li>iii. Comparison of actual performance with standards.</li> <li>iv. Analysing deviations.</li> <li>v. Taking corrective actions.</li> </ol>	<p>1×3=3          ½ mark for heading and ½ mark for correct explanation</p> <p>½ mark for identifying the process and 2.5 marks for steps.</p>									
<p>Q. 24</p>	<p><b>Difference between Primary and Secondary Market</b></p> <table border="1" data-bbox="293 1633 1304 1871"> <thead> <tr> <th><b>Basis</b></th> <th><b>Primary Market</b></th> <th><b>Secondary Market</b></th> </tr> </thead> <tbody> <tr> <td>1. Securities Traded</td> <td>There is sale of securities by new companies or further new issues of securities by existing companies to investors.</td> <td>There is trading of existing securities only.</td> </tr> <tr> <td><b>2. Buying</b></td> <td><b>Only buying of securities</b></td> <td><b>Both the buying and</b></td> </tr> </tbody> </table>	<b>Basis</b>	<b>Primary Market</b>	<b>Secondary Market</b>	1. Securities Traded	There is sale of securities by new companies or further new issues of securities by existing companies to investors.	There is trading of existing securities only.	<b>2. Buying</b>	<b>Only buying of securities</b>	<b>Both the buying and</b>	<p>1 * 3          = 3</p>
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	<b>and Selling</b>	takes place in the primary market, securities cannot be sold there.	selling of securities can take place on the stock exchange.	
	<b>3. Company Involvement</b>	Securities are sold by the company to the investor directly or through an intermediary).	Ownership of existing securities is exchanged between investors. The company is not involved at all.	
	<b>4. Capital Formation</b>	The flow of funds is from savers to investors.	Enhances encashability (liquidity) of securities.	
	<b>5. Price Determination</b>	Determined and decided by the management of the company.	Prices are determined by demand and supply of the securities.	
		<b>OR</b>		
	<b>Basis</b>	<b>Capital Market</b>	<b>Money market</b>	
	1. Participants	Financial Institutions, Banks, Corporate Entities, foreign investors and individuals	RBI, Banks Financial Institutions & finance companies.	
	2. Instruments Traded	Equity shares, bonds preference shares and debentures	Treasury Bills, Trade Bills, Commercial Paper, call money etc.	
	3. Outlay Investment	Does not necessarily require a huge financial outlay	Entail huge sums of money as the instruments are quite expensive.	
	4. Duration	Deals in medium & long-term securities having maturity period of over one year	Deals in short term funds having maturity period upto one year	
	5. Liquidity	Securities are less liquid as compared to money market securities	Money market instruments are highly liquid	
	6. Expected Return	High	Low	
	7. Safety	Risky w.r.t. return and repayment	Generally safer with a minimum risk of default	
	(Any three)			

1 \* 3  
= 3

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<p>Q. 25</p>	<p><b>Democratic or Participative leadership style.</b> A democratic leader will develop action plans and make decisions in consultation with his subordinates. He will encourage them to participate in decision making. This kind of leadership style is more common now-a-days, since leaders also recognise that people perform best if they have set their own objectives. They also need to respect the others opinion and support subordinates to perform their duties and accomplish organisational objectives. They exercise more control by using forces within the group.</p>	<p>1 for correct style 3 for correct explanation</p>
<p>Q. 26</p>	<p>Formal Communication. <b>Positive</b> aspects of Formal communication: 1. The formal communication is <b>very systematic</b> and ensures <b>orderly flow of information.</b> 2. In formal communication, it is <b>easy to fix the responsibilities</b> of different employees as there is proof for the information.</p> <p><b>Negative</b> aspects of Formal communication: 1. The information is <b>delayed as generally scalar chain</b> is followed while passing of information. 2. In formal communication the information is conveyed or passed in <b>impersonal manner.</b></p> <p style="text-align: center;">OR</p> <p>a) <b>Leadership-</b> Leadership is the process of influencing the behaviour of people by making them strive voluntarily towards achievement of organisational goals. Leadership indicates the ability of an individual to maintain good interpersonal relations with followers and motivate them to contribute for achieving organisational objectives.</p> <p>b) <b>Motivation-</b> Motivation means incitement or inducement to act or move. In the context of an organisation. It means the process of making subordinates to act in a desired manner to achieve certain organisational goals.</p>	<p>1×4=4</p> <p>2×2=4</p>

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Q. 27	<p>The supervisor should give them proper <b>training</b>. Any 3 benefits of training: Benefits of Training:</p> <ul style="list-style-type: none"> <li>i. Training leads to <b>better career of the individual</b> due to improved skills and knowledge during training.</li> <li>ii. It helps an individual earn more due to <b>increased productivity</b>.</li> <li>iii. It makes the employee <b>more efficient</b> in handling machines and <b>less prone to accidents</b>.</li> <li>iv. It <b>increases the satisfaction and morale</b> of employees.</li> </ul>	1+3=4
Q. 28	<ul style="list-style-type: none"> <li>1. Nature of business</li> <li>2. Scale of operation</li> <li>3. Technique of operation</li> <li>4. Technology upgradation</li> <li>5. Growth prospectus</li> <li>6. Diversification</li> <li>7. Availability of finance and leasing facility</li> <li>8. Level of collaboration (explain any four)</li> </ul> <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> <li>1. Cash flow position</li> <li>2. Interest coverage ratio</li> <li>3. Return on investment</li> <li>4. Cost of debt</li> <li>5. Tax rate</li> <li>6. Cost of equity</li> <li>7. Floatation cost</li> <li>8. Risk consideration (explain any four)</li> </ul> <p><b>9.Trading on equity</b></p>	<p style="text-align: center;">1 x 4 = 4</p>
Q. 29	<ul style="list-style-type: none"> <li>1. Investment decision/ capital budgeting decision/ long-term investment decision It involves deciding about how the funds are invested in different assets so that they are able to earn the highest possible return for the investors.</li> <li>2.Financing decision It refers to the decision about the quantum of finance to be raised from various long term sources.</li> </ul>	<p style="text-align: center;">2 X 2 = 4</p>
Q. 30	Right to information :	

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	<p>According to this consumer has the right to information about the quality, quantity, purity, standard and price of product.</p> <p>Right to be heard : According to this right the consumer has the right to represent himself or to be heard.</p>	<p>2 X 2 = 4</p>
Q. 31	<p><b>Unity of Command:</b> There should be one and only one boss for every individual from whom he should receive orders and be responsible to. Dual subordination should be avoided.</p> <p><b>Unity of Direction:</b> All the units of an organisation should be moving towards the same objectives through coordinated and focused efforts. Each group of activities having the same objective must have one head and one plan.</p> <p><b>Discipline:</b> It refers to the obedience to organizational rules and the employment agreement. It is necessary for the systematic working of the organisation. It requires good superiors at all levels, clear and fair agreements and judicious application of penalties.</p> <p><b>Equity:</b> It emphasizes kindness and justice in the behaviour of managers towards workers. No discrimination should be made by them on the basis of caste, creed, gender or otherwise.</p>	1.5×4=6
Q. 32	<p>Step discussed above:</p> <p><b>Identifying alternative courses of action:</b> Once objectives are set assumptions are made. Then the next step would be to act upon them. There may be many ways to act and achieve objectives. All the alternative courses of action should be identified. The course of action which may be taken could be either routine or innovative. An innovative course may be adopted by involving more people and sharing their ideas.</p> <p>Remaining steps to be carried out to complete the process are as follows:</p> <ol style="list-style-type: none"><li><b>Evaluating alternative courses:</b> The next step is to weigh pros and cons of each alternative. Each course will have many variables which have to be weighed against each other. The positive and negative aspects of each proposal need to be evaluated in the light of the objective to be achieved.</li><li><b>Selecting an alternative:</b> This is the real point of decision making. The best plan has to be adopted and implemented. The</li></ol>	<p>1×4=4 ½ mark for the heading and ½ mark for the explanation</p>



<p>ideal plan, of course, would be the most feasible, profitable and with least negative consequences. Most plans may not always be subjected to a mathematical analysis.</p> <p><b>3. Implementing the plan:</b> This is the step where other managerial functions also come into the picture. The step is concerned with putting the plan into action.</p> <p><b>4. Follow up action:</b> To see whether plans are being implemented and activities are performed according to schedule is also part of the planning process. Monitoring the plans is equally important to ensure that objectives are achieved.</p> <p style="text-align: center;">OR</p> <p>Yes.</p> <p>Importance of Planning</p> <p><b>1. Planning provides direction:</b> Planning ensures that the goals or objectives are clearly stated so that they act as a guide for deciding what action should be taken and in which direction. If goals are well defined, employees are aware of what the organisation has to do and what they must do to achieve those goals.</p> <p><b>2. Planning reduces the risks of uncertainty:</b> Planning is an activity which enables a manager to look ahead and anticipate changes. By deciding in advance, the tasks to be performed, planning shows the way to deal with changes and uncertain events. Changes or events cannot be eliminated but they can be anticipated and managerial responses to them can be developed.</p> <p><b>3. Planning reduces overlapping and wasteful activities:</b> Planning serves as the basis of coordinating the activities and efforts of different divisions, departments and individuals. It helps in avoiding confusion and misunderstanding. Since planning ensures clarity in thought and action, work is carried on smoothly without interruptions. Useless and redundant activities are minimised or eliminated.</p> <p><b>4. Planning promotes innovative ideas:</b> Since planning is the first function of management, new ideas can take the shape of concrete plans. It is the most challenging activity for the management as it guides all future actions leading to growth and prosperity of the business.</p> <p>(The students can write any other points of importance also)</p>	<p>1.5×4=6 ½ mark for heading and 1mark for correct explanatio n</p>
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<p>Q. 33</p>	<p><b>(a)</b>  <b>(i)</b> Facilitation of growth “It has, with the help of proper delegation, enabled the existence of proper workforce to take up leading positions in several challenging projects.”  <b>(ii)</b> Basis of management hierarchy “Due to proper strong management structure.”  <b>(iii)</b> Better Coordination “Due to proper delegation there is no overlapping of duties and duplication of efforts as there is clarity of working relationship.”  <b>(b)</b>  <b>(i)</b> Benefits of Specialisation  <b>(ii)</b> Adaptation to change  <b>(c )</b> Decentralisation                  “It refers to systematic effort to delegate to the lowest level all authority except that which can be exercised at Central points”</p>	<p>3 + 2 + 1 = 6</p>
<p>Q. 34</p>	<p>Factors that affect the fixation of a price of a product are :</p> <ol style="list-style-type: none"> <li>1. <u>product cost</u> determines the minimum level at which the product can be sold</li> <li>2. <u>utility and demand</u> set the upper limit of the price which the buyer would be prepared to pay</li> <li>3 in lesser <u>competition</u> the price will tend to reach the upper limit while in free competition the price we tend to be set at a lower level</li> <li>4 <u>Government</u> can <u>intervene</u> and regulate the price by declaring the project as an essential product</li> <li>5. In case the <u>objective</u> of the enterprise is maximizing profits, obtaining market share leadership or survival in a competitive market price will be set at a lower level while if the objective is product quality leadership price will be set hire</li> <li>6. Uniqueness of marketing method used like distribution system or quality of salesman employed give freedom to the company in setting the price.</li> </ol> <p style="text-align: center;">OR</p>	<p>1 X 6 = 6</p>

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Four important elements of marketing mix are :	1.5
1. Product mix:- product mix relates to decisions regarding planning developing and producing the right type of products and services for the consumer.	X
2. Price Mix:- price mix involves different pricing methods, pricing strategies, pricing policies and price changes	4
3 Place mix:- Place of physical distribution makes includes activities that made from products available to the target customers. It consists of all the activities involved in transferring ownership and physical possession of the product to the consumer	=
4 Promotion mix:- promotion mix consists of all the activities aimed at persuade in customer to buy the project through advertising personal selling promotion and publicity.	6

