

**Class XII**

**Business Studies(054) PRACTICE PAPER - 3 Session: 2020-21**

**Marking scheme**

1. D. Establishing a reporting relationship.
2. C. Complexity
3. B. Professional association
4. D. Technological Environment
5. C. Staffing
6. B. Tapping useful resources
7. C. Court Judgement
8. C. responsibility of all managers
9. A. Improving employee motivation
10. B. Critical Point Control
11. D. Span of Management OR B. Organisational Structure
12. A. a social process OR C. Market Offering
13. C. Rights Issue
14. A. offer for sale
15. D. Private Placement
16. D. It saves the issue related expenses.
17. B. Trademark
18. A. Packaging
19. C. Physical Distribution
20. D. Three-level Channel

21. The aspects of management ignored by Mukesh are:

**Efficiency:** doing the task correctly with minimum cost

**Effectiveness:** Doing the right task, completing activities and achieving goals.

For example, if a company's target production is 5000 units in a year, to complete the given task the manager has to operate on double shifts due to power failure most of the time. The manager is able to reach the target

production but at a higher cost. In this case, the manager was effective but not efficient, since for the same output, more inputs (labour cost, electricity costs) were used.

22. The first three steps involved in the **selection process** are:

- i) Preliminary Screening: This helps the manager eliminate unqualified or unfit job seekers.
- ii) Selection Tests: An employment test attempts to measure certain characteristics of individuals like manual dexterity, intelligence or personality.
- iii) Employment Interview: Interview is a formal in-depth conversation conducted to evaluate the applicant's suitability for the job.

23. The step done after measurement of Actual Performance is: **Analysing Deviations.**

Deviations in the key areas of business that need to be attended more urgently as compared to deviations in certain insignificant areas. This can be done in two ways:

- i) **Critical Point Control:** Control should focus on key result areas which are critical for the success of an organisation.
- ii) **Management by Exception:** This emphasis on the fact that if the manager tries to control everything, he may end up controlling nothing. So, he should make a priority list and bring to the notice of top management only significant deviations which go beyond permissible limits.

OR

**Taking corrective action:**

S. No.	Causes of Deviation	Suggestive Corrective action to be taken
a	Defective material	Change the quality specification of the material used

b	Defective machinery	Repair the existing machine or replace the machine if it cannot be replaced
c	Defective process	Modify the existing process

24. The money market instruments are:

- (i) are issued as zero coupon bonds: **Treasury Bills.**
  - (ii) serve as a source of “Bridge financing”: **Commercial Papers.**
  - (iii) help in maintaining cash reserve ratio: **Call Money**
- (Explanation as per NCERT)**

OR

**SEBI** performs many **protective functions** besides controlling Insider trading and imposing penalties for such practices. They are as follows:

- i) Prohibition of fraudulent and unfair trade practices like making misleading statements, manipulations, price rigging etc.
- ii) Undertaking steps for investor protection.
- iii) Promotion of fair practices and code of conduct in the securities market.

25. Skills and knowledge of employees working on Aarogya Setu can be increased by giving them **vestibule/ on the job training.**

Three benefits which the employees can derive from this are: (any three)

- i) It helps in promotion and career growth due to improved skills and knowledge.
- ii) It helps him to earn more due to improved performance.
- iii) It reduces the accidents as the employees are more efficient to handle machines.
- iv) It increases the morale of the employees as the employees are more satisfied.

26. The **non-financial incentives** highlighted in the case studies are:

- i) Employee Participation
- ii) Employee empowerment

- iii) Job enrichment
- iv) Career advancement opportunity.

## **27. Maslow's Need Hierarchy**

Maslow identified five levels in his Need Hierarchy.

i) Physiological need which is basic for human survival and includes need for food, water, air, shelter, sleep, thirst etc.

The other needs in chronological order are as follows:

ii) Security or safety needs: These are the needs for physical safety as well as psychological security and include safety of person and property, security of job and need for a predictable, secure and safe environment.

iii) Social Needs: These are the needs for belongingness, friendship, love, affection, attention, and social acceptance.

iv) Esteem or ego needs: These needs are need for self-esteem. Self-esteem needs include needs for self-respect, self-confidence, competence, autonomy, and knowledge. Other esteem needs relate to reputation, prestige, power, status, recognition and respect for others.

v) Self-actualisation needs: This is the need 'to be what one is capable of becoming'. It includes optimal development of potential abilities, knowledge and skills, need to be creative and achieve self-fulfilment.

Once a given level of needs is satisfied, it ceases to be a motivator and the next higher level of need has to be activated to motivate an individual.

OR

The **importance of directing** highlighted in the case of Jyoti are as follows:

i) Initiates action

*'She has helped her colleagues .....by removing their doubts and directing.'*

ii) Guides employees

*'She guides her team so effectively .....towards achievement of objectives.'*

iii) Bring stability and balance in the organisation

*'This has helped her to bring cooperation..... team members.'*

iv) Facilitates introduction of change

*'She continues to overcome any resistance ....to incorporate changes.'*

28. **Financial Management** may be defined as planning, directing, controlling the procurement and utilisation of funds available to a firm in a proper way. Financial Management is that part of management which is concerned with efficient acquisition and allocation of funds. Three main decisions taken by a finance manager are:

i) **Investment decisions:** This relates to the careful selection of assets in which funds are to be invested. It may include:

Management of current assets, capital budgeting, management of mergers, reorganisations and disinvestments.

ii) **Financing Decisions** : This decision relates to the composition of relative proportion of various sources of finance.

iii) **Dividend decision:** This decision relates to the appropriation of profits earned, including the disposition of profits between dividends and retained profits.

OR

Yes, the **capital budgeting decision** is capable of changing the financial fortune of a company. The reasons for this are as follows:

i) The size of assets, profitability and competitiveness are all affected by capital budgeting decisions

ii) These decisions normally involve huge amounts of investment.

iii) These decisions are normally irreversible except at a huge cost.

Therefore they need to be taken with utmost care.

29. Since Mahesh is involved in Transport Business, and transports exotic fruits to different states, he needs only a low working capital. This is because his business does not involve any processing and the operating cycle is short. His business transaction also takes place without any loss of time.

The following are the two factors that would affect Mahesh's **fixed capital requirements** in case of expansion and diversification of business:

i) Available alternatives for financing: If leasing facilities are easily available in a financial market, they provide an easy alternative for Mahesh's business and facilitate an outright purchase of fixed assets.

ii) Possibility of collaboration: Mahesh may opt for collaborations for certain facilities( warehousing, transportation, etc). This is so because, if the scale of operations is not so large, enough to utilise such facilities fully and individually, by itself.

**30. Reliefs that the Consumer Court** can grant to the customers are ( any two)

- a. i) To refund the price paid
- ii) To pay punitive damages
- iii) To discontinue the unfair/ restrictive trade practice and not to repeat the same in future.
- iv) To pay any amount ( not less than 5% of the value of book) to be credited to the Consumer Welfare Fund or any other organisation/person, to be used in the prescribed manner.
- v) To pay adequate costs to the appropriate party
- b. i) To remove the defect in the engine
- ii) To replace the defective engine with a new one, free from any defect
- iii) To refund the price paid
- iv) To pay punitive damages
- c. i) To remove the defect in the electrical iron
- ii) To replace the defective electrical iron with a new one, free from any defect
- iii) To refund the price paid
- iv) To pay a reasonable amount of compensation for the loss or injury suffered by the consumer due to negligence of the opposite party
- v) To cease manufacture of hazardous goods like defective electrical iron.

31. a- ii

b- iii

c -i

Division of work: Work can be performed more efficiently if it is divided into specialized tasks.

Discipline: Obedience to organizational rules and employee agreement which are necessary for the working of the organization.

Remuneration of Employees: Remuneration should be just and equitable. Employees should be paid fair wages, which should give them a reasonable standard of living.

32. The steps taken by management in the **planning process** are as under:

- i) Setting organisational objectives: The objectives for the whole organisation as well as for each department are defined and specified.
- ii) Planning premises: Planning premises are the planning assumptions or the expected environment of plans in operations, like, demand of goods, cost of raw materials, government policies, etc.
- iii) Listing alternatives: A manager lists down the possible alternatives to achieve objectives.
- iv) Evaluating alternatives: Each alternative is examined thoroughly.
- v) Selecting the best alternative: Each alternative has its strong and weak points. The best alternative under the circumstances should be selected.
- vi) Implementing the plan: Once the plans have been developed, they should be put into action. For this purpose, cooperation of all members of the organisation should be selected.
- vii) Follow-up: Since planning is a continuous process, existing plans are reviewed at intervals to ensure whether plans selected are proceeding along the right path. For this purpose, a system for continuous evaluation of the plans is required.

OR

The **limitations of planning** are as follows:

- i) Planning is an expensive process: Planning depends on an effective system of feedback, transmitting necessary data, collection and analysis of data and evaluation of various courses of action. It results in heavy expenditure.
- ii) Planning is a time consuming process: Planning requires collection of information, its analysis and interpretation. These activities take considerable time and planning is not practicable when quick decisions are to be made.

iii) Planning results in rigidity: Planning implies prior determination of policies and procedures whereas the business environment is dynamic. This prevents business managers from taking initiatives and from doing innovative thinking.

iv) Effectiveness of planning is limited due to dynamic factors: It's difficult to forecast the external contingencies. Hence the best of plans may lose effectiveness due to continuous changes in factors like, political climate, behaviour of trade unions, technological changes etc.

v) Planning reduces creativity: This activity is performed by top management and implemented by the rest of the people in the organisation, who, as a result, lose their creativity to do any tasks, as they are supposed to follow the plans.

vi) Planning does not guarantee success: Planning may create a false sense of security in the organisation. Managers feel that if they pursue the activities as per the plans, they are guaranteed success, however, it may not always be so, due to change in certain situations.

33. The concept of management discussed here is **Decentralisation**.

Decentralisation of authority refers to systematic delegation of authority at all levels of management and in all departments of the organisation for taking decisions and action appropriate at the respective level.

The points of **importance of decentralisation** are as follows:

i) Development of initiative: Decentralisation of authority gives an opportunity to the lower level managers to take their own decisions.

ii) Development of managerial talent: Under decentralisation, lower level managers and subordinates learn by experience.

iii) Quick decision-making: Under decentralisation, decisions are taken at the points nearer to the place of actual operations.

iv) Better control: Decentralisation makes it easy to assess the performance and contribution of lower level management towards organisational goals.

34. Differentiation between **Production Concept Philosophy** and **Product concept philosophy** are as follows:



S. No.	Basis	Production concept philosophy	Product concept philosophy
i	Meaning	Production concept philosophy means the process of production and distribution of products widely available at affordable prices	P, performance and featureroduct concept philosophy means the process of production and distribution of products of superior quality
ii	Main Focus	Its main focus is on quantity of product	Its main focus is on quality and performance features of product
iii	Means	Marketing strategy revolves around the availability and affordability of product	Marketing strategy revolves around the improvement of the product
iv	Ends	It is based on profit through volume of production	It is based on profit through product quality

OR

Yes, I agree with this statement. **Advertisement** is an investment because of its following advantages and role in marketing management:

- i) Expansion of market: Advertising helps the manufacturer to expand the market for his product.
- ii) Continuous demand: Advertising results in continuous demand for the products. It brings to the knowledge of the people about new products.
- iii) Securing dealers: If a product is well-advertised, more dealers get attracted to stock of advertised goods because advertisement creates demands.
- iv) Promotion of goodwill: Advertising creates goodwill for the advertised company. It acquaints the people with the name of the manufacturer and leads to increased sales.

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v) Lower costs: Advertising makes mass selling and increased sales. This, in turn, makes possible production at large scale which has certain economies. This reduces the cost of production.

vi) Supplementing salesmanship: Salesmanship has to make less efforts to sell those products which are well advertised. This is because the prospective customer has already learnt from the advertisement about the uses, price and other particulars of the product.

