



**INDIAN SCHOOL MUSCAT**  
**Senior Section**  
**Department of Commerce and Humanities**

**Class : XII**

**SAMPLE PAPER -2 WITH ANSWER**

**Reference:  
NCERT, Text Book**

**Business Studies (054)**

**General Instructions:**

- a) Attempt all parts of a question together.
- b) Answer to questions carrying 1 mark may be from one word to one sentence
- c) Answer to questions carrying 3 marks may be from 50-75 words
- d) Answer to questions carrying 4-5 marks may be about 150 words
- e) Answer to questions carrying 6 marks may be about 200 words.
- f) All questions are compulsory.

1	What is meant by 'Feedback' in the concept of communication ?	1
2	'Maintaining labour relations and union-management relations' is one of the specialised activities performed by Human Resource Management. Mention any two other specialised activities of Human Resource Management.	1
3	Define 'Financial Management'	1
4	How does 'Cost of Debt' affect the capital structure of a company ? State.	1
5	Why do employees become lethargic when the organization uses internal sources of recruitment ? State.	1
6	Give two characteristics of 'Organizational Climate' that influence the behaviour of individuals and act as a non-financial incentive.	1
7	Why do employees become lethargic when the organization uses internal sources of recruitment ? State.	1
8	Kritika is posted at Lower Level Management at 'Libra Cosmetics Pvt. Ltd.' The daily sale of the company is about Rs. 50 lac only. The company has given her the responsibility that the production work of the company should continue uninterrupted. The Managing Director has asked her to focus her attention especially on the speed and quality of production. She is doing her job efficiently. Her reputation is that of a successful leader. She takes every decision after discussing it with all the concerned persons. Her subordinates are very happy with her.	1

- Identify the leadership style adopted by Kritika. 3
- 9 The General Manager of ‘Dehradun Wood Pvt. Ltd. called a meeting of Production Manager sales manager of both his company. He explained to them that both of these departments are the basis of the company’s success. Therefore, it is very necessary for both of them to work with coordination. Also they were told that whatever decisions they took for their respective departments, which could affect others, they must give its information to them immediately. They did the same. As a result of this, there never arose a situation in the company, when the sales orders could not be complied with because of the shortage of goods.
- Do you think the Production Manager is “effective”? Give reason in support of your answer. 3
- 10 Wazir Ahmed joins ‘Ashiyana Ltd.’ a company dealing in real estate, a human resource manager. Through a series of interactions with his team during lunch breaks, he comes to know that quite a few managers at middle and senior levels have recently left the organisation as their promotions were overdue. Therefore, in order to reinstate the confidence of the staff, he lays out a clear cut plan consisting of a set of general guidelines for both time bound and performance related appraisals of the managers at all levels. Moreover, he develops standardized processes containing a series of steps specified in a chronological order for its implementation.
- In context of the above case:
- Identify the two different types of plans that Wazir Ahmed proposes to implement in order to instate the confidence of the staff by quoting line from the paragraph. 3
- 11 Neha runs a factory wherein she manufactures shoes. The business has been doing well and she intends to expand by diversifying into leather bags as well as western formal wear thereby making her company a complete provider of corporate wear. This will enable her to market her business unit as the one stop for working women. Which type of structure would you recommend for her expanded organisation and why? 3
- 12 What is determined by ‘Fatigue Study’ ? 3
- 13 Crackers Ltd., a fire-cracker manufacturing company launched some new products on the eve of Diwali in the market, which attracted many buyers. To meet the increased demand the company employed children from nearby villages. Although the products were in great demand, appropriate safety warnings for use were not mentioned on the labels, which led to many accidents.
- (i) Identify and explain the important product related decision that was not taken into consideration by the company.
- (ii) Also state any two values which were violated by the company. 3
- 14 How are consumer grievances redressed by the three-tier machinery under Consumer Protection Act, 1986 ? Explain. 4
- 15 Kavya is working in a company on permanent basis. As per the job agreement she had to work for 8 hours a day and was free to work overtime. Kavya worked overtime. But even after working for long hours and putting in her best efforts, no recognition was 4

given to her by her boss. Due to overtime she fell ill and had to take leave from her work. No one showed concern and enquired about her health. She realised that she was fulfilling only some of her needs while some other needs still remained to be fulfilled.

- (i) Identify and explain the needs of Kavya discussed in the above para, by quoting the lines.
- (ii) Also explain two other needs of Kavya followed by the above needs, which still remained to be satisfied.

16	Explain any three semantic barriers to effective communication.	4
17	‘Financial Market plays an important role in the allocation of scarce resources in an economy by performing various functions.’ Explain any three such functions of financial market.	4
18	Aman a degree holder in Entrepreneurship came to know about Piplantri Village located in Rajasthan, where in 2006 an initiative was started, in which 111 trees are planted every time a girl child is born. To keep termites away from the trees the villagers have planted 2.5 million Aloe Vera plants around the trees. This has turned the village into an oasis, as the planting of trees led to higher water levels. Aman decided to visit the village to start a business unit, for the processing and marketing of Aloe Vera into juices, gels and other products. However, on visiting the village Aman found that the villagers were suffering exploitation at the hands of local merchants who were engaged in unscrupulous, exploitative trade practices like hoarding and black marketing of food products and also selling unsafe, adulterated products to the villagers. After looking at their plight instead of a business organisation he decided to set up an organisation for the protection and promotion of the consumer interest of the villagers. State the functions that the organisation established by Aman will be performing.	4
19	Give the meaning of ‘Investment’ and ‘Dividend’ decisions of financial management.	4
20	Mega Ltd. was manufacturing water-heaters. In the first year of its operations, the revenue earned by the company was just sufficient to meet its costs. To increase the revenue, the company analysed the reasons of less revenue. After analysis the company decided <ul style="list-style-type: none"><li>(i) to reduce the labour cost by shifting the manufacturing unit to a backward area where labour was available at a very low rate.</li><li>(ii) to start manufacturing solar water-heaters and reduce the production of electric water-heaters slowly.</li></ul> This will not only help in covering the risks, but also help in meeting other objectives too. (a) Identify and explain the objectives of management discussed above. (b) State any two values which the company wanted to communicate to the society.	5
21	Giving any four points, explain the impact of government policy changes on Business and Industry.	5
22	Business of ‘Shardha Auto Pvt. Ltd.’ is confined only to one state. Now it intends to extend the same to two other states. Mr. Jatin Jain, the managing director of the	5

company, is busy in making a plan to this effect. First of all, he contacted Mrs. Rukmani Devi Rana, the H.R. Manager of the company. Both were of the opinion that they would require 75 more employees to extend their business to two new states. On looking at the record of the existing employees, it transpired that 8 employees were going to retire very shortly. Besides, two employees were proceeding on long-term study leave abroad for two years. Thus, company would now require 85 employees in all. Mrs. Rana recommended to Mr. Jatin that out of the total vacant posts, 15 be reserved for women. Mr. Jain gladly accepted the proposal. Now, H.R. Manager was to decide as to what arrangement to be made for the appointment of needed persons. She hit upon a plan. According to this plan some employees would be recruited with the help of existing employees, for some other internet would be approached and for the remaining potential employees placement agencies operating in the market would be contacted.

- (a) Describe what function of management has been referred to in the above paragraph?  
(b) What sources of recruitment are being used by H.R. Manager? Explain briefly.

- 23 An auto company C Ltd. is facing a problem of declining market share due to increased competition from other new and existing players in the market. Its competitors are introducing lower priced models for mass consumers who are price sensitive. For quality conscious consumers, the company is introducing new models with added features and new technological advancements. 6
- Questions
1. Prepare a model business plan for C Ltd. to meet the existing challenge. You need not be very specific about quantitative parameters. You may specify which type of plan you are preparing.
  2. Identify the limitations of such plans.
  3. How will you seek to remove these limitations?
- 24 Principles of Taylor and Fayol are mutually complementary. One believed that the management should scientifically select the person and the work assigned should suit his/her physical and intellectual capabilities, while the other suggested that the work can be performed more efficiently if divided into specialised tasks. 6  
Identify and explain the principles of Fayol and Taylor referred to in the above para.

- 25 Explain the following functions of marketing : 6
- (i) Marketing Planning
  - (ii) Product designing and development
  - (iii) Pricing of products
  - (iv) Standardisation and Grading

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## SAMPLE QUESTION PAPER -2

### MARKING SCHEME

**Answer 1** Vikas Gupta is working at the top level of management.

**Answer 2** Organising as a function of management refers to a structural framework in which an organisation operates to achieve its desired goals. It attempts to determine a methodical approach to use the available resources and workforce of the organisation in an optimum manner.

**Answer 3** The organisational structure which helps in increasing the managerial & operational efficiency is referred as “Functional structure”.

**Answer 4** In functional foremanship, the role of the inspector is to control the quality standards of production.

**Answer 5** The aspect of financial management that provides a link between investment and financing decision is referred as “Financial planning”. Financial planning aims to determine the decisive choices of an organisation regarding its investment avenues and also, the fund raising options.

**Answer 6** In the given scenario, the decision of marketing manager is derived by the prospects of growth by expanding the supply of bulbs to five star hotels. To expand the production, the organisation would have to acquire more fixed machinery and inputs initially. This will require the organisation to generate higher amount of fixed investment for the business. An organisation with high prospects of growth requires a big amount in fixed investment and vice - versa.

**Answer 7** Managing inventory involves taking steps to minimise fluctuation in the distribution lines of the inventory. Hence, managing inventory is concerned with “Physical distribution”

**Answer 8** The consumer right being referred in the given scenario is “right to choose”. This right allows a consumer to choose from a catalogue of products available in the market. Manvendra purchases from that particular shop to exercise this right.

**Answer 9** Three limitations of planning:

- i. Inflexibility: Since all the other steps in the process of management depend on planning, it becomes quite inflexible to alter a plan once it gets in the process of being implemented. In scenarios of unplanned external changes, it often becomes a cost and time burden on the organisation to change the course of a plan. It is therefore suggested to companies to keep a certain degree of flexibility in their plan to cooperate with unforeseen circumstances.
- ii. Inability to deal with potential business changes: At times, planning fails to accommodate changes in business functioning due to its predefined assumptions about business. It therefore becomes a tedious task to alter the plan according to forthcoming changes.

- iii. Hindrance to new initiatives: Planning often reduces the scope of new initiatives due to the required structural adjustments demanded by those initiatives. Hence, it sometimes becomes a hindrance in efficiency and effectiveness of organisational procedures. It is therefore advised to make necessary structural adjustments while formulating a plan every time to put new initiatives into action.

### **Answer 10**

- a. Two communication barriers due to which Jason Enterprises was unable to accomplish their targets are as follows.
- i. Barriers at personal level – Clear lines of communication are hindered by personal barriers present in an organization. This happens when management does not entrust its confidence in employees. Managers should conduct discussions and ask employees for inputs to ensure that such barriers are resolved.
  - ii. Barriers at organizational level – Policies that suppress the initiatives to empower employees such as centralization of all decisions, high attrition rates, low perks etc results in dissatisfaction among employees. This dissatisfaction hinders their performance.
- b. i. One barrier at organizational level is “Rigid code of conduct”. If an organization follows extremely rigid rules and regulations, all its employees remain suppressed and dissatisfied. Organizations should promote good communication lines with their employees.
- ii. One barrier at personal level is “Disregard and fear”. When managers do not appreciate employees for their contribution, employees lose their motivation to perform. Also, fear blocks all lines of their communication with managers. This results in personal barriers

### **Answer 11**

- a. Following are the internal/external recruitment sources used by ‘Hitachi Enterprises Ltd’ to fill various positions
- b. i. Promotion – The human resource manager was recruited using promotion. Promotion is an internal source of recruitment.  
ii. Placement consultants – The marketing head was recruited through external source of placement consultants.  
iii. Casual callers – Assistant manager was recruited using existing applications.
- c. The following are the merits of above listed sources of recruitment.
  - i. Promotion: It creates employee engagement and inspires the employee to perform better
  - ii. Placement Consultants: Placement consultants assist an organisation to acquire the necessary talent by providing their expertise in searching and attracting new talent.
  - iii. Casual Callers: Casual callers are already existing in the database of company and hence, it involves least cost to hire them as compared to other methods.

**Answer 12** In the given scenario, the two functions performed by SEBI are

- i. 'Regulatory Functions', and
- ii. 'Protective Functions'. The lines indicating these functions are given as follows. The line 'On regular inspection and by conducting enquires of the brokers involved' implies regulatory functions And, the line 'SEBI imposed a heavy penalty on Adity Gupta' implies protective functions.

**Answer 13** If satisfied by the genuineness of the complaint, the consumer court can issue following three directions to the opposite partyi. An order to repay the price paid by consumer for the good ii. An order to replace the faulty good with another unit of the good iii. An order to remove/repair the fault from the good or correct any service deficiency.

**Answer 14** Four features of management:

- i. Universal applicability: The management phenomenon is common across all kinds of organisations in terms of size and operations. This is because management serves the very basic purpose of creating better value for the organisation as well as its stakeholders and employees. Without management, determining and achieving targets become a daydream and all valuable resources of the organisation get wasted.
- ii. Result driven: Management is result driven as it focuses on key tasks required to be accomplished in an organisation through planning, organising, staffing, directing and controlling its operations. Management primarily ensures that the basic purpose of existence of an organisation is accomplished.
- iii. Perpetual: The practice of management is not limited to a particular time period in an organisation. It is a process which takes place throughout the life of an organisation. However, the activities which management pursues on a day-to-day basis differ across different time periods.
- iv. Flexible: Management attempts to remain flexible in times of big economic, political and internal fluctuations in the business. It ensures that the interest of the organisation is given supreme priority among all other mundane matters. Without management, an organisation would wind up in the initial stages of its operations easily due to its inability to tackle the above fluctuations.

**Answer 15** Following are the dimensions of business environment that are being referred in the given case.

1. Economic environment- “Company started exporting its products to India” Explanation- Economic environment includes the effect of changes in the interest rates, levels of income, stock market fluctuations etc. Example- An increase in imports leads to a fall in the price of domestic currency and vice- versa
2. Legal environment – “Prime minister allowed relaxation in import duties on electronic items” Explanation- Legal environment refers to all the legal rules and procedures set up by the government to monitor the business activities of an enterprise. To cope with the dynamic business environment, management must know the ways to deal with different fluctuations in legal environment.

### **Answer 16**

- a. “Informal Organisation” allows the communication to flow in all directions.
- b. One another advantage of informal organization is that it allows employees to feel sociable, interactive and competitive. This results in better employee- engagement and work culture. All these factors result in better productivity for the organization by the employees.
- c. “steelo ltd” wanted to communicate following two values to the organization
  - i. A socially responsible corporation
  - ii. An employee centric organization

### **Answer 17**

“Motivation” is the element of function of management used in the given scenario. A variation in travel policies changes the perspective of employees towards organization and resulted in better utilization of time by the employees. All employees started feel equal and this increased their belongingness with the organization. Features of motivation can be highlighted using following points.

- i. Motivation is an invisible force – Motivation is a feeling of belongingness inside and employee. It cannot be seen or touched. But, its results can clearly be felt among the employees through their performance.
- ii. Motivation helps in achieving goals- Motivation is a positive awakening force that increases the productivity and quality standards of work done by employees.
- iii. Motivation can also be negative- A positive motivation can take the form of appraisal or promotion. On the other hand, negative motivation can take the form of pay-cut, demotion etc.
- iv. Motivation is not a simple process – All employees get motivated for different reasons at different times. Some employees get motivated by appreciation whereas some employees get motivated by appraisals.

### **Answer 18**

- a. In the given scenario, ‘public relations’ is the communication tool used by the company to restore its good image. The sole purpose of ‘public relations’ is to create and maintain cordial relationship of the company with its stakeholders, customers, lenders etc. Such positive public relations of company are key foundations for its survival and growth.
- b. Importance of “public relations” can be highlighted as follows.
  - i. It allows organization to attain its goals in a hassel free manner without constantly worrying about its public image.
  - ii. It assists the organization in creating and maintaining a market for its product among the consumers and hence, to increase its brand loyalty among those consumers.

- iii. Public relations among the stakeholders and consumers also allow an organization to survive in the business in long run and deal with its new potential competitors effectively.
- iv. It also complements the promotional ventures undertaken by the organization to increase its customer base.

### **Answer 19**

Four methods of floatation of new issues are explained below:

- i. Prospectus issue: The primary market allows companies to invite potential investors through the issue of a document called ‘prospectus’. The prospectus aims to provide all relevant information to the investors including the motive of the issue of securities, the upcoming projects of the company, the recent benchmark reached by the company etc. The prospectus is advertised in various forms of print media to gain the attention of investors. It is compulsory for a prospectus to follow the guidelines provided by SEBI and the Companies Act and have a listing in one stock exchange at least.
- ii. Issue through intermediaries: Under this method, companies issue their shares to intermediaries such as broking houses, issuing agents etc. who sell the securities thereafter to the general public. This makes it easier for the company to raise funds and the cost of raising funds also gets minimised. This method can be considered one of the indirect methods of the issue of securities.
- iii. Private placement: The securities are offered for sale to some predetermined individuals and institutional investors with high net worth. The company can make such an offer on its own or by taking the assistance of intermediaries. Such an offer allows the company to raise funds quickly as the involvement of issuing agents is minimised, and hence, the charges of brokerage, underwriting commission etc. are not borne by the company.
- iv. Rights issue: Under rights issue, the company offers its new shares to its existing shareholders. Each existing shareholder is provided with a right to buy a certain number of shares. The shares offered to buy are proportionate to the existing shareholding of the investor in the company.

### **Answer 20**

Types of plans being discussed in the given paragraph are as follows.

- i. Objective – An objective broadly outlines the key task or target to be reached at the end of a certain time period by the organization. In the given case, the objective is highlighted in the words “One of her objectives was to earn 80% profit on the amount invested in first year.

- ii. Policy – A policy is a code of conduct to be followed by a particular organization in a particular scenario. It is not specific in nature and hence, is interpreted according to the situation. In the given case, the lines “It was decided that raw materials like cloth, thread, buttons etc, will be purchased on two months credit”
- iii. Procedure- A procedure comprises of guidelines to be followed in a specific order to make a policy decision to come into reality. In the given case, the line “Decided to

- follow the steps required for marketing of the products through her own outlets" highlights the procedure to be followed.
- iv. Method- A method is a specific process to be conducted to carry out a desired task. In the given case, the method is highlighted in the words "the exact manner in which the production activities are to be carried out" highlight the type of plan called "method".
- v. Rule- A rule is the type of plan that mentions the exact way of completing a particular task and its degree of compulsion. A rule can also be negative and guide the employees about not doing a particular thing. In the given case, the line "A Penalty of Rs 200 per day was announced for the workers who found smoking in the factory premises" highlights a rule.
- vi. Budget- A budget is usually a number that specifies the financial constraints and targeted achievements on an organization. It mentions the upper limit of the expenditure of resources. In the given case, the line "Ritesh also prepared a statement showing the requirement of workers in the factory throughout the year" implies a budget.

### **Answer 21**

- a. The following lines from the para highlight the use of informal communication in the organization.
- i. "Colleague sent a text message to his immediate superior"
  - ii. "Vineet immediately sent a text message to the employees of the organization requesting them to donate blood for Yash." This is because sending text messages is an informal means to communication. The following line highlights the use of formal communication in the organization. "When the general manager came to know about it, he ordered for fumigation in the company premises and cleanliness of surroundings"
- b. Two features of informal communication are listed below.
- i. It does not follow any specific formally determined path. It flows in all directions.
  - ii. It is the result of personal contact among the employees of an organization.
- c. The values of the organization that the society would monitor would be.
- i. Hygiene in the work place for employees by the organization.
  - ii. Employee centric policies of organization.

### **Answer 22**

Relationship between planning and controlling:

Planning and controlling are two complementary functions in the process of management. Planning is the process of providing an organisation with a concrete structure to deliberately achieve organisational goals and face challenges.

Controlling, on the other hand, focuses on comparing targeted performance with actual performance and maintaining quality standards. Planning attempts to create benchmarks which thereafter are actually compared with actually achieved targets by controlling. Without planning, controlling cannot be undertaken as the standards of performance would be undetermined. Similarly, without controlling, planning serves no purpose at all because if the management does not look back to its plans to see whether it has achieved its goals or not, then the purpose of planning is not served at all. While formulating a plan, organisations should keep the performance measurement as a key to follow up the structure of the plan. This performance measurement is undertaken by controlling. Controlling primarily determines whether the purpose of a plan has been served or not. Both these steps ensure that the resources of the organisation are being used optimally and determine whether the organisation is performing according to its expectations or not. Hence, it can be concluded that both these functions complement each other. If an organisation eliminates any one of them, then its performance will suffer to a great extent.

### **Answer 23**

Principles of management serve as a guiding light in the decision-making process of an organisation. Managers refer to principles of management while making difficult business choices in real-world situations. The importance of the principles of management can be explained using the following points:

- i. Developed through practical experimentation: The management principles are developed by notable management alumni of the past as well as the present. This makes them practical and implementable in complex business problems without any chance of error.
- ii. Factually verifiable: Since the principles of management also explain the key logic behind the decisive judgments written in them, they are factually verifiable and understandable by most managers. This makes it easier for managers to implement them.
- iii. Guidelines for new managers: Management principles are taught primarily in all business schools to students to make sure that all upcoming managers know the foundations of management and to help them follow the best management practices when solving business problems.
- iv. Efficiency: Principles of management assist in judicious allocation of productive resources in the formulation of end product. They synchronise all resources to develop a cost and time efficient production system. It therefore helps the organisation to grow faster and outperform its potential competitors.

### **Answer 24**

‘labelling’ is the important aspect that is being ignored by the marketer in the given scenario. Functions of labelling are as follows.

- i. Providing information about product – Label of a product provides targeted consumers with all the relevant information regarding the ingredients used in the product. It also informs consumers about the procedure to use the product in its best

- manner. Various safety guidelines are also provided on a label to make sure consumers do not end up hurting themselves or damaging their health.
- ii. Brand building – A well designed label assists in building a positive brand value of the product in the minds of consumers. Consumers can recognize their desired product from its label in the supermarket and be assured about the quality standards.
  - iii. Legal compliance – label mentions relevant information that is required to be displayed as per various consumer laws. This makes a company socially responsible in the eyes of law. It also saves the company from being sued under various consumer laws.
  - iv. Increasing sales – A product with an attractive label catches attention of a higher number of consumers than a product with a poorly designed label. This implies that labelling also helps in increasing sales by increasing the market reach of the product.
  - v. Monitoring quality – Labels assigned to different products allow an organization to check quality standards and hence, to rectify any variations from the standard quality thereof. Rating the products is also an option if quality of different units of same product varies substantially in production.

## **Answer 25**

- a. Let the face value of equity share be Rs 10 each. ===== Profit before Interest & Tax Rs 16,00,000 Interest on 10% debentures Rs 8,00,000 Profit before Tax Profit before Interest and Tax Interest Profit before Tax 16,00,000 8,00,000 Rs 8,00,000 Tax @ 40% 8,00,000 x===== 40 00 Rs 3,20,000 100 Profit available to shareholders 8,00,000 3,20,000 Rs 4,80,000 Profit after Tax 4,80,000 Earning Per Share(EPS) 0.4 Number of Equity Share 12,00,000 Thus, shareholders have incurred loss after the issue of debentures as Earning Per Share (EPS) has fallen from Rs 0.5 to Rs 0.4.
- b. The following are the three factors that favour the issue of debentures by the company as part of its capital structure.
- i. Good Cash Flow Position: If the company is having a good cash flow position, then issuing debentures is more favourable as compared to issue of shares.
  - ii. High Tax Rate: It is beneficial for the company to issue debentures if the tax rate is higher. This is because interest paid by the company to its debenture holders is tax deductible.
  - iii. Control: If the company does not want to dilute the control of management, then issuing debentures is the best for the company.

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