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Code Number



INDIAN SCHOOL MUSCAT
THIRD PRELIMINARY EXAMINATION
BUSINESS STUDIES

CLASS: XII

Sub. Code:(054)

Time Allotted: 3 Hrs

12.02.2018

MARKING SCHEME

Max. Marks: 80

General Instructions:

1. All questions are compulsory.
2. Marks are indicated against each question.
3. Answers to questions carrying 1 mark may be one word to one sentence.
4. Answers to questions carrying 3 marks may be from 50 to 75 words.
5. Answers to questions carrying 4-5 marks may be 150 words.
6. Answers to questions carrying 6 marks may be in 200 words.

- 1 Ans : It implies that 'Management is a Profession'. 1
- 2 Ans : The manager/planner is required to make assumptions about the future. These assumptions are called planning premises. 1
- 3 Ans : The element of directing is 'Leadership'. 1
- 4 Ans : It refers to some obstruction or hindrance to communication. 1
- 5 Ans : Two objectives of Financial Planning are : 1
(a)To ensure availability of funds when required
(b)To ensure that the firm do not raise funds unnecessarily.
- 6 Ans : The working capital requirement of a Designer Boutique will be low as they generally deal in cash and maintain the stock of finished goods, only. 1
- 7 Ans : The following function was performed by SEBI- Calling for information by undertaking inspection, conducting enquiries and audits of stock exchanges and intermediaries. – Regulatory Function. 1
- 8 Ans : Right to safety 1
- 9 Ans : (a)Divisional Structure should be adopted by diversified organization to enable it to cope with the emerging complexity. (1)
Reason: It leads to faster decision making, promotes flexibility and initiative because each division functions as an autonomous unit. (1)
(b) Limitations of this framework :
(i) Conflict may arise among different divisions with reference to allocation of funds and further a particular division may seek to maximise its profits at the cost of other divisions.
(ii) It may lead to increase in costs since there may be a duplication of activities across products.

Providing each division with separate set of similar functions increases expenditure.

(iii) It provides managers with the authority to supervise all activities related to a particular division. In course of time, such a manager may gain power and in a bid to assert his independence may ignore organisational interests. (any one) (1)

- 10 Ans: The three factors which will help Ankit, in taking the dividend decision are as follows: 3
- (a) Earnings
 - (b) Stability of Earnings
 - (c) Stability of
 - (d) Growth Opportunities
 - (e) Cash Flow Position:
 - (f) Shareholder Preference
 - (g) Taxation Policy
 - (h) Stock Market Reaction
 - (i) Access to Capital Market
 - (j) Legal Constraints
 - (k) Contractual Constraints (Discuss any three)
- 11 Ans : Directing refers to the process of instructing, guiding, counselling, motivating and leading people in the organisation to achieve its objectives. 3
- (i) Directing helps to initiate action by people in the organisation towards attainment of desired objectives. For example, if a supervisor guides his subordinates and clarifies their doubts in performing a task, it will help the worker to achieve work targets given to him.
- (ii) Directing integrates employees efforts in the organisation in such a way that every individual effort contributes to the organisational performance. Thus, it ensures that the individuals work for organisational goals. For example, a manager with good leadership abilities will be in a position to convince the employees working under him that individual efforts and team effort will lead to achievement of organisational goals.
- (iii) Directing guides employees to fully realise their potential and capabilities by motivating and providing effective leadership. A good leader can always identify the potential of his employees and motivate them to extract work up to their full potential.
- (iv) Directing facilitates introduction of needed changes in the organisation. Generally, people have a tendency to resist changes in the organisation. Effective directing through motivation, communication and leadership helps to reduce such resistance and develop required cooperation in introducing changes in the organisation. For example, if a manager wants to introduce new system of accounting, there may be initial resistance from accounting staff. But, if manager explains the purpose, provides training and motivates with additional rewards, the employees may accept change and cooperate with manager.
- (v) Effective directing helps to bring stability and balance in the organisation since it fosters cooperation and commitment among the people and helps to achieve balance among various groups, activities and the departments. principles of directing.
(1 mark for definition, 1 mark each for two points of importance)
- 12 Ans: (a)Advertising. (1 mark) 3
(b)Merits of advertising: (Any two)

- (i) Advertising enhances customer satisfaction and confidence, as they feel more comfortable and assured about the product quality and hence feel more satisfied.
 - (ii) With the developments in art, computer designs, and graphics, advertising has developed into one of the most forceful and expressive medium of communication.
 - (iii) Advertising is a very economical mode of communication if a large number of people are to be reached. (1x2=2)
- (1 mark for each statement)

- 13 Ans : The following reliefs are available to Reena. 3
- (i) To remove the defect in goods or deficiency in service.
 - (ii) To replace the defective product with a new one, free from any defect.
 - (iii) To refund the price paid for the product, or the charges paid for the service.
 - (iv) To pay a reasonable amount of compensation for any loss or injury suffered by the consumer due to the negligence of the opposite party.
 - (v) To discontinue the unfair/ restrictive trade practice and not to repeat it in the future.
- 14 Ans : Limitations of Planning are:- 4
- (i) Planning leads to rigidity
 - (ii) Planning may not work in a dynamic environment
 - (iii) Planning reduces creativity
 - (iv) Planning involves huge costs
 - (vi) Planning does not guarantee success (1x4=4)
- 15 Ans : Motivation is the process of stimulating people to action to accomplish desired goals. 4
 Motivation depends upon satisfying needs of people.
 ‘to pay double wages for working.....working on holidays.’
 Supervision can be understood as the process of guiding the efforts of employees and other resources to accomplish the desired objectives.
 ‘It employs 10 operating managers.....support to workers.’
 (1/2 mark each for naming the elements, 1/2 mark each for quoting, 1 mark each for explaining)
- 16 Ans : (a) Commercial paper can be used for Bridge Financing by Mission Coach Ltd. as it is issued 4
 by huge creditworthy companies. The instrument is in the form of an unsecured promissory note and is freely transferable by endorsement. It is sold at a discount and redeemed at par.
- (b) Its maturity period may range from a fortnight to a year.
- (c) It is also used to meet the short term seasonal and working capital requirements of a business enterprise.
- 17 Ans : Four important elements of marketing mix are : 4
- (i) Product Mix, (ii) Price Mix, (iii) Promotion Mix, (iv) Place Mix (Discuss 1x4=4)
- 18 Ans : (a) Labelling and Branding are the two important decisions related to a product.(1) 4
- (b) If products were sold by generic names, it would be very difficult for the marketers to distinguish their products from that of their competitors. Thus, most marketers give a name to their product, which helps in identifying and distinguishing their products from the competitors’ products. This process of giving a name or a sign or a symbol etc., to a product is called

branding.(1)

(c)The two features of a good brand name are :

(i) The brand name should be short, easy to pronounce, spell, recognise and remember e.g., Ponds, VIP, Rin, Vim, etc.

(ii) A brand should suggest the product's benefits and qualities. It should be appropriate to the product's function. e.g., Rasika, Genteel, Promise, My Fair Lady and Boost.

(iii) A brand name should be distinctive e.g., Liril, Sprit, Safari, Zodiac.

(iv) The brand name should be adaptable to packing or labelling requirements, to different advertising media and to different languages.

(v) The brand name should be sufficiently versatile to accommodate new products, which are added to the product line e.g., Maggie, Colgate.

(vi) It should be capable of being registered and protected legally.

(vii) Chosen name should have staying power i.e., it should not get out of date. (1x2=2)

19 Ans : (a)The various dimensions referred to are:

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(i)Political Environment - Make in India is an initiative launched by the Government of India to encourage national and multinational companies to manufacture their products in India.

(ii)Technological Environment - Under the initiative, brochures on these sectors and a web portal was released.

(iii)Economic Environment - It also seeks to attract foreign capital investments in India.

(b)The two values which the government of India wants to convey through this initiative are

(i)High quality standards

(ii)Concern for environment.

20 Ans : (a)Management is all pervasive- "Considering the fact..... As per their individual area of interest."

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(b)Management is goal oriented - "Anju takes up a marketing.....specially abled person."

(c)Management is a continuous process – "Both of them have to perform.....she may spend time in sorting out an employee's problem."

(d)Management is a group activity- "Both Anju and Manju make conscious efforts to build a feeling of team spirit and coordination among diverse individuals with different needs who work under them."

(e)Management is an intangible force- The effect of their management is noticeable in their respective departments as the targets are met according to plans, employees are happy and satisfied, and there is orderliness in its functioning rather than chaos."

21 Ans : Importance of Controlling:-

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(i)Accomplishing organisational goals

(ii)Judging accuracy of standards

(iii)Making efficient use of resources

(iv) Improving employee motivation

- (v) Ensuring order and discipline
- (vi) Facilitating coordination in action: (Explain any five)

22 Ans : (a)One condition necessary to take advantage of trading on equity 5
 (i)The rate of return on investment should be more than the rate of interest.
 (ii)The amount of interest paid should be tax deductible (Any one)(1)

(b)

Sources	Situation 1 (Amount in Rs.)	Situation 2 (Amount in Rs.)
Equity Shares	90,00,000	90,00,000
10% Debentures	NIL	40,00,000
Total Capital	*90,00,000	*1,30,00,000
EBIT	13,50,000	19,50,000
Less : Interest	-	*(4,00,000)
EBT	13,50,000	15,50,000
Less : Tax @ 30%	*(4,05,000)	*(4,65,000)
EAT	9,45,000	10,85,000
No of sh of Rs10 each	9,00,000	9,00,000
EPS	*9,45,000/9,00,000=1.05	*10,85,000/9,00,000=1.21

*Yes, the financial managers will be able to meet their goal as the projected EPS, with the issue of debt, is higher than the present EPS. (8x0.5=4)

23 Ans: (a)The function of management being performed by GIPRA to maintain a satisfactory work force is Staffing. 6
 (1 mark)

(b) The two steps of staffing discussed above are:

(i)Training and development: The organization should facilitate employee learning by having either in-house training centers or have forged alliances with training and educational institutes to ensure continuing learning of their employees. The organizations also benefit.

(ii)Performance Appraisal: All organizations have some formal or informal means of appraising their employee's performance. Performance Appraisal means evaluating an employee's current and/or past performance as against certain predetermined standards. The performance appraisal process includes defining the job, appraising performance, and providing feedback. (1 1/2 x2=3)
 (1/2 mark for identification+1 mark for the explanation)

(c)Following are the two steps in the process of staffing that the management had to perform before performing the above steps: (Any two)

(i)Estimating manpower requirements, which involves not merely knowing how many persons the company needs but also what type.

(ii)Recruitment is defined as the process of searching for prospective employees and stimulating them to apply for jobs in the organization.

(iii) Selection is the process of choosing from among the pool of the prospective candidates developed at the stage of recruitment.

(iv)Orientation is introducing the selected employee to other employees and familiarizing him with the rules and policies of the organization. Placement refers to the employee occupying the position or post which the person has been selected. (1x2=2) (1 mark for each statement)

24 Ans : (a) In the words of Taylor, “Scientific management means knowing exactly what you want men to do and seeing that they do it in the best and cheapest way”. (1) 6

(b)The various principle of scientific management that Hritik plans to apply to his business.

(i)Science not Rule of Thumb- This method can be developed through study and analysis. The method so developed should substitute ‘Rule of Thumb’ throughout the organisation. Scientific method involved investigation of traditional methods through work-study, unifying the best practices and developing a standard method, which would be followed throughout the organisation.

“He proposes to adopt a logical approach to his business rather than hit and trial method as he knows that this can result in tremendous saving of human energy as well as wastage of time and materials.”

(ii)Harmony not Discord- Scientific management has for its foundation the firm conviction that the true interests of the two are one and the same; that prosperity for the employer cannot exist for a long time unless it is accompanied by prosperity for the employees and vice versa.

“He plans to adopt paternalistic style of management in practice in order to avoid any kind of class conflict that may emerge between him and the workers.”

(iii)Cooperation, not Individualism- There should be complete cooperation between the labour and the management instead of individualism.

“Moreover, he plans to seek the opinion of his workers before taking any important decisions and also offers incentives to them for providing valuable suggestions for the business.” (1x3=3)

(c) The two values that he wants to communicate to the society by offering eco friendly packaging material are:

(i)Concern for Society and (ii)Sense of responsibility. (1x2=2)

25 Ans : Following is the meaning and difference between Delegation and Decentralization: 6

Basis	Delegation	Decentralisation
1 Meaning	Delegation is the entrustment of responsibility and authority to another and the creation of accountability for performance. (or any other suitable meaning)	Decentralization explains the manner in which decisionmaking responsibilities are divided among hierarchical levels. (or any other suitable meaning)
2 Nature	Delegation is a compulsory act because no individual can perform all tasks on his own.	because no individual can perform all tasks on his own. Decentralization is an optional policy decision. It is done at the discretion of the top management.
3 Freedom of action	More control by superiors hence less freedom to take own decisions.	Less control over executives hence greater freedom of action
4 Status	It is a process followed to share tasks.	It is the result of the policy decision of the top management.
5 Scope	It has narrow scope as it is limited to superior and his immediate subordinate.	It has wide scope as it implies extension of delegation to the lowest level of management.

6	Purpose	To lessen the burden of the manager.	To increase the role of the subordinates in the organization by giving them more autonomy.
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(State meaning 2 marks, Four differences 4x1=4)

SET-2

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| 1 | Ans : Effectiveness | 1 |
| 2 | Ans: Planning considered as the primary function of management as during the planning objectives are laid towards the achievement of which all other activities are directed. | 1 |
| 14 | Ans : Importance of Planning are:-
(i) Planning provides directions
(ii) Planning reduces the risks of uncertainty
(iii) Planning reduces overlapping and wasteful activities
(iv) Planning promotes innovative ideas
(v) Planning facilitates decision making
(vi) Planning establishes standards for controlling | 4 |
- (any four) (1x4=4)

SET-3

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|----|---|---|
| 1 | Ans : Organisational Growth | 1 |
| 5 | Ans : The interest coverage ratio refers to the number of times earnings before interest and taxes of a company covers the interest obligation. | 1 |
| 14 | Ans : Four features of Planning are :
(i) Planning focuses on achieving objectives
(ii) Planning is a primary function of management
(iii) Planning is pervasive
(iv) Planning is continuous
(v) Planning is futuristic
(vi) Planning involves decision making
(vii) Planning is a mental exercise | 4 |