



COMMON PRE-BOARD EXAMINATION 2022-23

Subject: BUSINESS STUDIES (054)



ANSWER KEY

CLASS: XII

Date: 17.01.2023

TIME: 3 HOURS

Max.Marks:80

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| 1 | (d) Benefits of specialization | 1 |
| 2 | (b) Technological environment | 1 |
| 3 | (b) Provides framework for performing managerial and operating tasks. | 1 |
| 4 | (c) Uncertainty | 1 |
| 5 | (c) Co-ordination | 1 |
| 6 | (c) Technological dimension and Political dimension | 1 |
| 7 | (c) It helps in improving performance. | 1 |
| 8 | (b) The work is completed within 100 days even at higher cost per | 1 |
| 9 | (d) None of these | 1 |
| 10 | (d) None of these | 1 |
| 11 | (c) Organising allows a business enterprise to accommodate changes in the business environment. | 1 |
| 12 | (d) Statement 1 is incorrect, but Statement 2 is correct | 1 |
| 13 | (b) a-ii, b-iii, c-iv, d-i | 1 |
| 14 | (d) None of these | 1 |
| 15 | (c) Public relation | 1 |
| 16 | (b) Capital market | 1 |
| 17 | (c) It refers to the set of actual and potential buyers for a product. | 1 |
| 18 | (d) Standardization and grading | 1 |
| 19 | (c) II, I, IV, III | 1 |
| 20 | (d) Controlling insider trading and imposing penalties for such practices. | 1 |
| 21 | Management as Science—Systematized body of knowledge. We can see students of various courses like MBA, BBA, etc. acquiring learning of the systematic knowledge in their syllabus. Management as an Art— Based on practice and creativity. Success in actual work environment depends upon the intelligent application and mastery of the basic principles of management. Management as a Profession—Service Motive. Companies are considering them as responsible components of society and have started including Corporate Social Responsibility in their main program.(1x3 mark=3) | 3 |
| 22 | Three types of selection tests: 1. Intelligence tests. Such tests are designed to check the level of intelligence of the candidates. It reflects the learning ability of an individual along with his ability to make judgments and decisions. 2. Aptitude test. Aptitude test is designed to measure the potential of an individual for learning new skills. It reflects the candidate's capacity to develop in the future. 3. Personality test. Such tests help in judging the overall personality of an individual. These indicate about the person's reactions to emotions, maturity level and value system.(1x 3 =3 marks) | 3 |

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| 23 | <p>Planning and controlling are inseparable twins of management. A system of control presupposes the existence of certain standards. These standards of performance which serve as the basis of controlling are provided by planning. Once a plan becomes operational, controlling is necessary to monitor the progress, measure it, discover deviations and initiate corrective measures to ensure that events conform to plans</p> <p>Planning without controlling is meaningless. Similarly, controlling is blind without planning. If the standards are not set in advance, managers have nothing to control. When there is no plan, there is no basis of controlling.</p> <p>Planning is clearly a prerequisite for controlling. It is utterly foolish to think that controlling could be accomplished without planning. Without planning there is no predetermined understanding of the desired performance. Planning seeks consistent, integrated and articulated programmes while controlling seeks to compel events to conform to plans.</p> <p>It is often said that planning is looking ahead while controlling is looking back. However, the statement is only partially correct. Plans are prepared for future and are based on forecasts about future conditions. Therefore, planning involves looking ahead and is called a forward-looking function. On the contrary, controlling is like a postmortem of past activities to find out deviations from the standards. In that sense, controlling is a backward looking function. However, it should be understood that planning is guided by past experiences and the corrective action initiated by control function aims to improve future performance. Thus, planning and controlling are both backward-looking as well as a forward-looking function.</p> <p>Planning is prescriptive whereas, controlling is evaluative. Planning is basically an intellectual process involving thinking, articulation and analysis to discover and prescribe an appropriate course of action for achieving objectives. Controlling, on the other hand, checks whether decisions have been translated into action.(1x3=3 marks)</p> <p style="text-align: center;">OR</p> <p>Importance of Controlling</p> <ol style="list-style-type: none"> 1. It helps in maintaining order and discipline in the organisation as it keeps strict observation on various activities in the organisation. 2. It helps in achievement of organisational goals through proper monitoring of performance and implementation of corrective action. 3. It helps in judging the accuracy of standards as in case standards are too strict, they can be revised. Some goals are too tough to be achieved as the external business environment may not support the organisation. In such condition, it is wise to revise the set standards. 4. It helps in efficient utilisation of resources as through continuous monitoring and action, all the unnecessary wastages can be prevented. 5. It helps in motivating employees through proper controlling, their performance is continuously monitored as per set standards. 6. It facilitates coordination in action as every employee and department performs according to set targets. The employee as well as the departmental targets are kept in proper coordination with each other.(1x3=3 marks) | 3 |
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| 24 | <p>1. Mobilization of Savings and Channeling them into the most Productive Uses: A financial market facilitates the transfer of savings from savers to investors. It gives savers the choice of different investments and thus helps to channelize surplus funds into the most productive use.</p> <p>2. Facilitating Price Discovery: In the financial market, the households are suppliers of funds and business firms represent the demand. The interaction between them helps to establish a price for the financial asset which is being traded in that particular market. A financial market is a market for the creation and exchange of financial assets.</p> <p>3. Providing Liquidity to Financial Assets: Financial markets facilitate easy purchase and sale of financial assets. In doing so they provide liquidity to financial assets, so that they can be easily converted into cash whenever required.</p> <p>4. Reducing the Cost of Transactions: Financial markets provide valuable information about securities being traded in the market. It helps to save time, effort and money that both buyers and sellers of a financial asset would have to otherwise spend to try and find each other. The financial market is thus, a common platform where buyers and sellers can meet for fulfillment of their individual needs.(Any three)(1x3=3)</p> <p style="text-align: center;">OR</p> <p>Investment Outlay: Investment in the capital market i.e. securities does not necessarily require a huge financial outlay. The value of units of securities is generally low i.e. Rs 10, Rs 100 and so is the case with minimum trading lot of shares which is kept small i.e. 5, 50, 100 or so. This helps individuals with small savings to subscribe to these securities. In the money market, transactions entail huge sums of money as the instruments are quite expensive.</p> <p>Liquidity: Capital market securities are considered liquid investments because they are marketable on the stock exchanges. However, a share may not be actively traded, i.e. it may not easily find a buyer. Money market instruments on the other hand, enjoy a higher degree of liquidity as there is formal arrangement for this. The Discount Finance House of India (DFHI) has been established for the specific objective of providing a ready market for money market instruments.</p> <p>Safety: Capital market instruments are riskier both with respect to returns and principal repayment. Issuing companies may fail to perform as per projections and promoters may defraud investors. But the money market is generally much safer with a minimum risk of default. This is due to the shorter duration of investing and also to financial soundness of the issuers, which primarily are the government, banks and highly rated companies.(Any three)(1x3=3)</p> | 3 |
| 25 | <p>Human Resource Management includes many specialized activities and duties which the human resource personnel must perform.</p> <p>These duties are:</p> <ul style="list-style-type: none"> Recruitment, i.e., search for qualified people. Analyzing jobs, collecting information about jobs to prepare job descriptions. Developing compensation and incentive plans. Training and development of employees for efficient performance and career growth. Maintaining labour relations and union management relations. Handling grievances and complaints. Providing for social security and welfare of employees. Defending the company in law suits and avoiding legal complications(1/2 x 8=4) <p style="text-align: center;">OR</p> | 4 |

1. Some Learning opportunities are designed and delivered to improve skills and abilities of employees:- Training (1 mark)
2. Some others are designed to help in the growth of individuals in all respects”.- Development(1 mark)

| Training | Development |
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| It is a process of increasing knowledge and skills. | It is a process of learning and growth. |
| It is to enable the employee to do the job better. | It is to enable the overall growth of the employee. |
| It is a job oriented process. | It is a career oriented process. |
| It is suitable for the employees at the lower level. | Developmental programmes are designed for middle and top level managers. |
| | (1/2 x 4=2 marks) |

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- The type of incentive highlighted in the above case is financial incentive. The Company is providing incentives in the form of monetary terms.
 - The various types of incentives highlighted in the above case are:**
 - **Productivity linked wage incentive.** The Company has come up with a plan of giving more wages to workers who perform beyond a definite level.
 - **Bonus.** It wants to give an incentive to the workers over and above the wages.
 - **Profit sharing.** The Company has announced that after the month of March it will be giving shares to the exceptional employees.(1 x 4=4)
- OR**
- The measures of communicative effectiveness which have been adopted by Mr. Sikka are:**
- He communicates for present as well as future.** He always maintains what he says, focuses on future goals of the organisation and never goes against his commitments.
 - After communication he ensures proper feedback.** When he once delivers the message he always checks whether his team is able to understand the concept he is trying to communicate and he does it through proper questioning.
 - He consults others before communicating.** Whenever he is about to make a speech he consults his team members for developing a plan of communication by their participation and involvement.
 - He conveys things of help and value to his listeners.** He always says that whatever is useless should be rejected and whatever is useful should be accepted. His purpose of speaking is to help others.
 - He is always aware of the language, tone and content of the message.** He believes that a speech should be such which takes into consideration interests and needs of the listeners.(Any four) (1 x 4= 4 marks)
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| 27 | <p>1. The autocratic style of leadership has been adopted by Nikhil. An autocratic leader expects strict compliance from his subordinates with regard to the orders and instructions given by him. Therefore, it involves only one-way communication.(1mark)</p> <div data-bbox="251 256 529 459" data-label="Diagram"> <pre> graph TD A --> B A --> C A --> D </pre> </div> <p>(1 mark)</p> <p>2. The various human needs of the workers that are being overlooked by Nikhil as per the Maslow's need hierarchy theory of motivation are listed below:</p> <ul style="list-style-type: none"> ○ Basic Physiological Needs: These needs are most basic in the hierarchy and are linked to primary needs like hunger, thirst, shelter etc.(1 mark) ○ Safety/Security Needs: These needs offer security and protection from physical and emotional harm.(1 mark) | 4 |
| 28 | <p>1. 'It has been consistently earning good profits for many years'. It relates to the stability of earnings of the company as a company having stable income is always in a better position to pay higher dividend. Companies having inconsistent and unstable earnings prefer not to declare a high rate of dividend.</p> <p>2. 'There is availability of enough cash in the company'. The above line reflects the cash flow position of the business which is another major factor influencing the dividend decision. In order to declare higher rate of dividend, the company should have enough cash. A company remaining short of cash finds it difficult to pay dividend.</p> <p>3. 'It has many shareholders who prefer to receive a regular income from their investments'. Shareholder's preference is highlighted in the above statement. The management of the company should keep in mind the preferences of shareholders while they declare dividend. Some shareholders prefer to receive a regular income in the form of dividend.</p> <p>4. 'It has taken a loan of 40 lakhs from IDBI and is bound by certain restrictions on the payment of dividend'. The above statement highlights contractual constraints due to which the company is bound by certain restrictions on the payment of dividend. If a company has taken loan, the lender may impose few restrictions on the declaration of dividend in future. The dividend policy of the firm should not violate the terms and conditions of the loan agreement.(1 x 4= 4 marks)</p> | 4 |
| 29 | <p>Earnings per share = ₹ 35 $EPS = \text{Earning after tax} / \text{No. of equity shares}$ $35 = \text{Earning after tax} / 70,000$ Earning after tax = ₹ 24,50,000 Interest = $50,00,000 \times 7/100 = ₹. 3,50,000$ Let the Earning before tax (EBT) = x EBT - Tax = EAT $x - 0.40x = 24,50,000$ $.60x = 24,50,000$</p> | 4 |

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| | $x = 24,50,000 / 0.60$ $x = 40,83,333$ Earning before tax = ₹. 40,83,333 EBIT = Earning before tax + Interest = 40,83,333 + 3,50,000 = ₹. 44,33,333 (3 marks) ROI = EBIT / total Investment $\times 100 = 44,33,333 / 1,20,00,000 \times 100 = 36.94\%$ As ROI (36.94%) > Rate of interest (7%). The company can choose to use trading on equity to increase its EPS. The finance manager was justified in making this recommendation. (1 mark) | |
| 30 | <ol style="list-style-type: none"> 1. The consumer responsibility that Sharan should follow is collecting Cash Memo so that the proof of his purchase remains with him. 2. When Sharan reads instructions his 'Right to be Informed' is maintained. 3. The mark which should be checked in the case of any electrical appliance is an 'ISI mark. 4. The significance of this mark is that the product is standardised and is safe to use. (4x1 marks=4) | 4 |
| 31 | <p>a. Initiative Workers should be encouraged to develop and carry out their plans for improvements according to Fayol. Initiative means taking the first step with self-motivation. It is thinking out and executing the plan. It is one of the traits of an intelligent person. Initiative should be encouraged. But it does not mean going against the established practices of the company for the sake of being different. A good company should have an employee suggestion system whereby initiative/ suggestions which result in substantial cost/time reduction should be rewarded.</p> <p>b. Discipline Discipline is the obedience to organisational rules and employment agreement which are necessary for the working of the organisation. According to Fayol, discipline requires good superiors at all levels, clear and fair agreements and judicious application of penalties. Suppose management and labour union have entered into an agreement whereby workers have agreed to put in extra hours without any additional payment to revive the company out of loss. In return the management has promised to increase wages of the workers when this mission is accomplished</p> <p>c. Unity of command According to Fayol there should be one and only one boss for every individual employee. If an employee gets orders from two superiors at the same time the principle of unity of command is violated. The principle of unity of command states that each participant in a formal organisation should receive orders from and be responsible to only one superior. Fayol gave a lot of importance to this principle. He felt that if this principle is violated "authority is undermined, discipline is in jeopardy, order disturbed and stability threatened". The principle resembles military organisation. Dual subordination should be avoided. This is to prevent confusion regarding tasks to be done. (2+2+2=6)</p> <p>a) Functional Foremanship Taylor advocated separation of planning and execution functions. This concept was extended to the lowest level of the shop floor. It was known as functional foremanship. Under the factory manager there was a planning in charge and a production in charge. Under planning in charge four personnel namely instruction card clerk, route clerk, time and cost clerk and a disciplinarian worked. These four personnel would draft instructions for the workers, specify the route of production, prepare time and cost sheet and ensure discipline respectively. Under Production in charge, personnel who would work were speed boss, gang boss, repair boss, and inspector. These respectively were responsible for timely and accurate</p> | 6 |

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| | <p>completion of job, keeping machines and tools etc., ready for operation by workers, ensure proper working condition of machines and tools and check the quality of work. Functional foremanship is an extension of the principle of division of work and specialization to the shop floor.</p> <p>b) Standardization and Simplification of Work</p> <p>Standardization refers to the process of setting standards for every business activity; it can be standardization of process, raw material, time, product, machinery, methods or working conditions. These standards are the benchmarks, which must be adhered to during production. The objectives of standardization are: (i) To reduce a given line or product to fixed types, sizes and characteristics. (ii) To establish interchange ability of manufactured parts and products. (iii) To establish standards of excellence and quality in materials. (iv) To establish standards of performance of men and machines. Simplification aims at eliminating superfluous varieties, sizes and dimensions while standardization implies devising new varieties instead of the existing ones. Simplification aims at eliminating unnecessary diversity of products. It results in savings of cost of labour, machines and tools. It implies reduced inventories, fuller utilization of equipment and increasing turnover. Most large companies like Nokia, Toyota and Microsoft etc. have successfully implemented standardization and simplification. This is evident from their large share in their respective markets.</p> <p>c) Time Study It determines the standard time taken to perform a well-defined job. Time measuring devices are used for each element of task. The standard time is fixed for the whole of the task by taking several readings. The method of time study will depend upon volume and frequency of the task, the cycle time of the operation and time measurement costs. The objective of time study is to determine the number of workers to be employed; frame suitable incentive schemes and determine labour costs.(2+2+2=6)</p> | |
| 32 | <p>Planning (1 mark)</p> <p>Importance of Planning</p> <ol style="list-style-type: none"> Planning provides direction. Once the goals of all employees and departments are set they are properly guided in the required direction. Planning reduces the risk of uncertainty. A good plan cannot eliminate uncertainties of future. However it can reduce unnecessary risks. Planning reduces overlapping and wasteful activities. Every person and department is assigned an objective and direction which rules out possible confusion. Planning involves innovative ideas. Planning is all about thinking in a unique and improved way so it involves innovation. Planning helps in decision making. Decision making involves choosing the best among the identified options. Planning sets standards for controlling. Controlling only tries to meet the objectives set at the stage of planning.(1x5=5 marks) <p style="text-align: center;">OR</p> <p>Planning as a function of management requires application of mind and involves intelligent imagination and sound judgements.-Mental exercise (1)</p> <p>It involves thorough examination and evaluation of different alternatives to choose the most appropriate one.-Planning involves decision making (1)</p> | 6 |

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| | <ol style="list-style-type: none"> 1. Planning focuses on achieving objectives. Objectives are set in planning and all the means, resources and courses of action to achieve these objectives are formulated in planning. 2. Planning is the primary function of management. Planning is the base of (and guide to) all the remaining functions of management. 3. Planning is pervasive. It is present everywhere, in all departments and at all levels. 4. Planning is continuous. One plan is followed by another plan after its completion. 5. Planning is futuristic. Planning is a forward looking, forecast involving futuristic function of management.(Any four 1x4=4) | |
| 33 | <ol style="list-style-type: none"> 1. The three advantages of delegation indicated above are: <ul style="list-style-type: none"> ○ It helps in facilitation of growth. With the help of proper delegation it has enabled the existence of proper workforce to take up leading positions in several challenging projects. ○ It acts as the basis of management hierarchy. Due to proper delegation the relationships between the superiors and the subordinates are properly defined at various levels leading to creation of a strong management structure. ○ It helps in better coordination. Due to proper delegation there is no overlapping of duties and duplication of efforts as there is clarity of working relationships. 2. The two advantages of organizing highlighted above are: <ul style="list-style-type: none"> ○ Benefits of specialisation. Specific jobs are done only by specific workers resulting in increase of efficiencies at individual levels. ○ Adaptation to change. It is expected that keeping in mind the strong organizing of the company it is expected that it will be able to modify its organisation structure and prove its superiority there also. 3. The concept of management highlighted in the third paragraph of the above case is 'Decentralisation'.(3+2+1=6) | 6 |
| 34 | <p>The various factors affecting price determination in the above case are as follows:</p> <ol style="list-style-type: none"> 1. Extent of competition in the market. In order to beat the competition it has decided to keep the prices low as there is tough competition in the market. 2. Government and legal regulations. This institution works for non-profit motive and whosoever works for them will have to work at subsidized rates so the company will have to take less money but will get tax benefits; the impact on the organisation will be that it will have to provide cables at a low price to support government initiative. 3. Marketing methods used. For its metro cities based customers the company has decided to adopt various methods like improvement in quality of salesmen, innovation in packaging, liberal credit terms, etc. 4. Product cost. One such reason is the amount of funds it puts both in the fixed capital like plant & machinery or working capital like wages of labourers which fixes the lowermost limit of the price. 5. Utility and demand. They require the cables in high quantity and the requirement is so high that they are ready to pay double the price provided the cables are made available to them within a short period of time. 6. Pricing objectives. This has been done keeping in mind the presence of other European competitors who can lower the prices of their cables in order to survive in the market.(1x6=6) | 6 |

