



COMMON PRE-BOARD EXAMINATION: 2022-23

Class-XII Subject: BUSINESS STUDIES (054)



Date: 17/01/2023

MARKING SCHEME

1.	Formal Organisation	1
2.	Emotional	1
3.	Informal organization	1
4.	Social environment	1
5.	All pervasive	1
6.	Business environment is a relative concept	1
7.	It helps in coping with rapid changes	1
8.	Management as an Art	1
9.	Management by exception	1
10.	Controlling	1
11.	Decentralisation	1
12.	Both the statements are true	1
13.	(ii), (iii), (i)	1
14.	Dematerialisation	1
15.	Grading	1
16.	Protecting the rights and interest of investors	1
17.	Product concept	1

18.	Increasing the level of production, promotion of product etc, and specifying the action programmes.	1
19.	All of the above	1
20.	Price Rigging	1
21.	<p>a) Coordination : Coordination is the force that binds all the other functions of management. It is the common thread that runs through all activities such as purchase, production, sales, and finance to ensure continuity in the working of the organization. Identification – 1mark, explanation -1 mark</p> <p>b) Management is a group activity - 1 mark</p>	3
22.	<p>External recruitment 1</p> <p>a) Fresh Talent: New employees bring new ideas to the organization</p> <p>b) Wider choice: External sources provide a wider choice of personnel to choose from.</p> <p>c) Qualified personnel: Requisite type of personnel having the required qualifications, training and skills are available. (1 mark each) (Any two advantages) 2</p>	3
23.	<p>a) Setting performance standards : - Standards are the criteria against which actual performance would be measured. Thus standards serve as benchmarks towards which an organization strives to work. Standards can be set in both quantitative as well as qualitative terms. Standards should be flexible enough to be modified whenever required. 11/2</p> <p>b) Measurement of actual performance: Performance should be measured in an objective and reliable manner. There are several techniques for measurement of performance. These include personal observation, sample checking, performance reports etc. 11/2</p> <p style="text-align: center;">OR</p> <p>a) Ensuring order and discipline: Controlling creates an atmosphere of order and discipline in the organization. It helps to minimize dishonest behaviour on the part of the employees by keeping a close check on their activities. 11/2</p> <p>b) Judging accuracy of standards: A good control system enables management to verify whether the standards set are accurate and objective. An efficient control system keeps a careful check on the changes taking place in the organization and in the environment and helps to review and revise the standards in light of such changes. 11/2</p>	3
24.	<p>a) Giving training to intermediaries of securities market.</p> <p>b) Conducting research and publishing information useful to all market participants.</p> <p>c) Undertaking measures to develop the capital markets by adapting a flexible approach.</p>	3

	<p>1 mark each</p> <p style="text-align: center;">OR</p> <p>a) Prohibition of fraudulent and unfair trade practices like making misleading statements, manipulations, price rigging etc.</p> <p>b) Controlling insider trading and imposing penalties for such practices</p> <p>c) Undertaking steps for investor protection</p> <p>d) Promotion of fair practices and code of conduct in securities market.</p> <p>(Any three points- 1 mark each)</p>	
25.	<p>The benefits of training to an organization are as follows :</p> <p>a) Training is a systematic learning- Always better than hit and trial methods which lead to wastage of efforts and money.</p> <p>b) It enhances employee productivity both in terms of quantity and quality, leading to higher profits.</p> <p>c) Training equips the future manager who can take over in case of emergency.</p> <p>d) Training increases employee morale and reduces absenteeism and employee turnover.</p> <p>e) It helps in obtaining an effective response to a fast changing environment – technological and economic.</p> <p>(Any four points – 1 mark each)</p> <p style="text-align: center;">OR</p> <p>Function – staffing 1</p> <p>Two concepts – placement and orientation 1 (1/2 mark each)</p> <p>Placement refers to the employee occupying the position or post for which the person has been selected. 1</p> <p>Orientation – introducing the selected employee to other employees and familiarizing him with the rules and policies of the organisation 1</p>	4
26.	<p>a) Semantic barrier is being referred to in the above paragraph 1</p> <p>b) The measures are:</p> <p>a) Communicate according to the needs of the receiver- Raj should adjust his communication according to the education and understanding levels of his subordinates.</p>	4

	<p>b) Be aware of languages, tone and content of message: The contents of the message , tone and language used and the manner in which the message is to be communicated are the important aspects of effective communication.</p> <p>c) Clarify the ideas before communication: The problem to be communicated to subordinates should be clear in all its perspective to the executive himself.</p> <p>d) Consult others before communicating : Before actually communicating the message, it is better to involve others in developing a plan for communication.</p> <p>e) Convey things of help and value to listeners: While conveying message to others,it is better to know the interest and needs of the people with who you are communicating.</p> <p>f) Ensure proper feedback: The communication process may be improved by the feedback received to make it more responsive.</p> <p>g) Communicate for present as well as future : Communication is needed to meet the existing commitments to maintain consistency, the communication should aim at future goals of the enterprise also.</p> <p>h) Follow up communications: There should be regular follow up and review on the instructions given to subordinates.</p> <p>i) Be a good listener: Patient and attentive listening solves half of the problems. Managers should also give indications of their interest in listening to their subordinates.</p> <p>Any three – 1 mark each 3</p> <p style="text-align: center;">OR</p> <p>a) Safety / Security needs : “ Sanjana is working in a company on permanent basis.</p> <p>b) Affiliation/ Belonging needs: “ No one showed concern and enquired about her health”.</p> <p>(½ mark for the side heading – 1 mark for quoting) 3</p> <p>(ii) Esteem needs Self actualization needs</p> <p>! /2 mark for sideheading - 1</p>	
27.	a) Laxmi has suggested financial incentives through Co-partnership/Stock option. – ½+1/2	4

	<p>A company may offer share at a set price which is lower than the market price to its employees. This gives a sense of belongingness and feeling of ownership to them 1</p> <p>Other financial incentives (Any two) - 1 mark each</p> <p>b) Pay and allowances: For every employee, salary is the basic financial incentive. It includes basic pay, dearness allowance and other allowances. Pay hike and increments improve performance level of employees.</p> <p>c) Profit sharing: Employees are given a share in the profits of the organisation. This motivates them to improve their performance and contributes to increase in profits of the organisation.</p> <p>d) Bonus: Bonus is an incentive offered over and above the wages/salary to the employees.</p> <p>e) Productivity-linked wage incentives: These incentives aim at linking payment of wages to increase productivity, i.e., higher rate of wages for greater productivity.</p> <p>f) Retirement benefits: Provident fund, pension and gratuity provide financial security to employees after their retirement. This acts as an incentive when they are in service in the organisation.</p> <p>g) Perquisites: In many companies, perquisites and fringe benefits such as car allowance, housing, medical aid, education to the children, etc. are offered to employees.</p>	
28.	<p>a) Stability of dividends: Companies generally follow a policy of stabilizing dividend per share. The increase in dividends is generally made when there is confidence that their earning potential has gone up and not just the just the earnings of the current year. In other words, dividend per share is not altered if the change in earnings is small or seen to be temporary in nature.</p> <p>b)Growth opportunities: Companies having good growth opportunities retain more money out of their earnings so as to finance the required investment. The dividend n growth companies is therefore smaller than that in the non growth companies.</p> <p>c)Cash flow positions: The payment of dividend involves an outflow of cash. A company may be earning profit but may be short on cash. Availability of enough cash in the company is necessary for declaration of dividend.</p> <p>d)Taxation policy: If tax on dividend is higher it is better to pay less by way of dividends. As compared to this, higher dividends may be declared if tax rates are relatively lower. Though the dividends are free of tax in the hands of shareholders a divided distribution tax is levied on companies.</p> <p>1 mark each</p>	4
29.	<p>.</p> <p><u>Factors affecting capital structure are:</u></p>	4

- 1) Trading on equity / Financial leverage - It means increasing the returns to equity shareholders by the use of fixed income securities (debentures and preference shares) in the capital employed.
- 2) Cost of capital/Equity - The rate of interest on debentures or loan and rate of dividend payable on preference and equity shares determines the composition of owned funds and borrowed funds.
- 3) Floatation cost – It means cost incurred in the issue of shares or debentures (i.e. cost of prospectus, printing and distribution, underwriting commission, advertisement. etc). Small companies cannot afford to spend huge money on floatation cost.
- 4) Control – Debt normally does not cause a dilution of control. A public issue of equity may reduce the managements holding in the company and make it vulnerable to takeover.
- 5) Flexibility – If a firm uses its debt potential to the full, it loses flexibility to issue further debt. To maintain flexibility, it must maintain some borrowing power to take care of unforeseen circumstances.
- 6) Cash flow position – Cash flows must not only cover fixed cash payment obligations but there must be sufficient buffer also. It must be kept in mind that a company has cash payment obligations for normal operations, for investment of fixed assets and for meeting the debt service commitments.
- 7) Stock market condition – If the stock markets are bullish, equity shares are more easily sold even at a higher price (Equity is opted then). During a bearish phase a company may find raising of equity capital more difficult and it may opt for debt capital.
- 8) Interest coverage ratio – It means how many times the profit covers the interest. Lenders would see the safety margin in term of ICR. The higher the ratio, lower shall be the risk to meet its payment of interest obligations.
- 9) Debt Service Coverage Ratio – The coverage of repayment of principal is a vital factor for the lenders. It also takes into account the ratio between equity and debt. It is calculated as follows:

Profit after tax + Depreciation + Interest + Non Cash exp.

Preference Dividend + Interest + Repayment obligations

The higher the DSCR indicates better ability to meet cash commitments. So, the company's potential to increase debt rises.

	<p>10) <u>Regulatory framework</u>: There are certain legal restrictions on issue of debentures and shares which have to be followed as per SEBI. Raising funds from banks and other financial institutions require fulfillment of other norms. The relative ease with which these norms are met have a bearing upon the choice of source of finance.</p> <p>11) <u>Capital structure of other companies</u> – Debt equity ratios of other companies in the same industry is a useful guideline for planning the capital structure. That is, a company should follow the industry norms. However, it should not follow the industry norms blindly.</p> <p>12) <u>Cost of Debt</u> – A firm's ability to borrow at a lower rate increases its capacity to employ higher debt. Thus, more debt can be used if debt can be raised at a lower rate.</p> <p>13) <u>Tax rate</u> – Interest on debt is a tax deductible expense. So, cost of debt is affected by tax rate, e.g. Borrowing @ 10% and the tax rate 30%, means the after – tax cost of debt is only 7%. So, higher tax rate, makes debt relatively cheaper and vice – versa.</p> <p>14) <u>Risk consideration</u>: Use of debt increases the financial risk of a business. Financial risk means that a company is unable to meet its debt service commitment, i.e. payment of interest and repayment of capital. Apart from financial risk, every business has some operating/business risk which depends on fixed operating costs. Higher the operating costs results in higher business risk vice-versa. Its business risk is higher the firm's capacity to use debt is lower vice-versa.</p> <p>1 mark each – any four points</p>	
30.	<p>Right to Safety: The company uses organic plant extract to product its products which are non – allergic and beneficial for every type of skin.</p> <p>Right to choose: The product is made available in different packs and sizes.</p> <p>Right to be informed: The label of the product contains full information about the ingredients, batch number, date of manufacture and expiry price etc.</p> <p>Right to be heard: The company has set its customer care cell to handle all sort of queries of its customer.</p> <p>Any two – 1 mark for side heading and 1 mark for quoting the lines</p>	4
31.	<p>a) <u>Harmony, not discord</u>:</p> <p>- Taylor emphasized that there should be complete harmony between the management and the workers. To achieve this, Taylor advocated a complete 'Mental Revolution', i.e. a change in</p>	6

the attitude of workers and management towards one another from competition to cooperation.

- Both should realize that they require one another. In such a situation even trade unions will not think of going on strike, etc.
- Management should share the gains of the company with workers. Workers on their part should work hard with discipline and loyalty. Both should aim to increase the size of surplus.
- Prosperity for the employer cannot exist for a long time unless it is accompanied by prosperity for the employees. Sharing of gains between management and workers leading to complete harmony.

In Japanese companies, there is complete openness between the management and workers. If at all workers go to strike, they wear a black badge but work more than normal working hours to gain the sympathy of the management.

b) Co-operation, not individualism:

- According to this principle, there should be complete cooperation between labour and management instead of individualism or competition.
- This principle is an extension of principle of 'Harmony, not discord'.
- Manager should reward the employees for their suggestions which results in substantial reduction in costs. If any important decisions are taken, workers should be taken into confidence. At the same time workers should not go for strikes and should not make unreasonable demands on the management.
- According to Taylor, there should be an almost equal division of work and responsibility between workers and management. Management should work almost side by side with the workers helping and encouraging them. This is called 'paternalistic style' of management, whereby the employer takes care of the needs of the employees.
- When there will be open communication system and goodwill, there will be no need for even a trade union.

c) Development of each and every person to his/her greatest efficiency and prosperity:

Each person should be scientifically selected.

- According to Taylor, to increase efficiency each person should be scientifically selected, and the work assigned should suit his/her physical, mental and intellectual capabilities. They should be given the required training to learn the 'best method' to do a job.
- Efficient employees would produce more and earn more. This will ensure their greatest efficiency and prosperity for both the company and workers.

d) Science, not rule of thumb:

- Taylor believed that there was only one best method to maximize efficiency. This method can be developed through study and analysis. The method so developed should substitute 'Rule of thumb' (or trial and error approach) throughout the organisation.

- Scientific method involves scientific enquiry/observation and analysis/investigation of each task and determination of standard work. This will result in tremendous saving of human energy as well as wastage of time and materials. The more sophisticated the processes, greater would be the savings.
- For instance, the use of internet has brought about dramatic improvements in internal efficiencies and customer satisfaction.

Any three – 2 mark each – 2x3

OR

Division of work: According to this principle, work should be divided into small, specialized tasks; each performed by a specialist or trained employee. Thus division of work leads to specialization.

It is because of this principle that in a company we have separate departments for finance, marketing, production, human resource development, etc., and all of them have specialized persons. Collectively they achieve production and sales targets of the company.

According to Fayol, this principle applies to all kinds of work- technical as well as managerial. Also, this principle applies to any kind of organization like hospital or a government office.

Scalar chain : An organisation consists of superiors and subordinates. The formal lines of authority from highest to lowest ranks are known as 'Scalar chain'. According to Fayol, 'organisation should have a chain of authority and communication that runs from top to bottom and should be followed by managers and subordinates.

This chain should not be violated in the normal course of formal communication.

We consider a situation where there is one head 'A', who has two lines of authority under him/her. One line consists of B-C-D-E. Another line of authority under 'A' is L-M-N-O. If 'E' has to communicate with 'O', who is at the same level of authority, then he/she has to transverse the route E-D-C-B-A-L-M-N-O.

Gang Plank: If there is an emergency, the 'E' can directly contact 'O' through 'Gang Plank'.

Gang Plank is a shorter route and has been provided so that communication is not delayed.

For e.g.: A worker cannot directly contact the CEO of the company. It at all he/she has to, then all the formal levels, i.e. foreman, superintendent, manager, director, etc. have to know about the matter. However, in an emergency, it can be possible that a worker can contact CEO directly.

Stability of personnel:

According to this principle, employees once selected, should be kept at their post/position for a minimum fixed tenure, i.e. stability of tenure.

Fayol suggests that employee turnover should be minimized to maintain organizational efficiency. There should not be frequent terminations and transfers. They should be given reasonable time to show results.

'Espirit De Corps': . According to Fayol, management should promote a team spirit of unity and harmony among employees.

A manager should replace 'I' with 'We' in all his conversations with workers to foster team spirit.

	<p>For E.g.: Suppose the production manager assigned a target production of 200 units to a group consisting of 10 members. The members divided the target among themselves to produce 20 units each.</p> <p>Any three- 2 marks each – 3x2</p>	
32.	<p>Planning leads to rigidity: In an organisation, a well-defined plan is drawn up with specific goals to be achieved within a time period. These plans decide the future course of action. Managers may not be in a position to change it. They do not have some flexibility to be able to cope with the changed circumstances. Thus, planning leads to rigid mode of functioning for managers. However, following a pre-decided plan, when circumstances have changed, may not be in the organization's interest.</p> <p>b) Planning may not work in dynamic environment: The business environment is dynamic. The organisation has to constantly adapt itself to the changes in business environment. However, it is not always possible to accurately assess future trends in the environment. Competition in the market can upset financial plans. Sales targets have to be revised and accordingly cash budgets also need to be modified.</p> <p>c) Planning reduces creativity: Planning is done by top management. Middle and lower management are neither allowed to deviate from plans nor are they permitted to act on their own. They only carry out orders. Thus, much of the initiative or creativity inherent in them gets lost or reduced. People tend to think along the same lines as others. There is nothing new or innovative.</p> <p>d) It involves huge cost: When plans are drawn up, huge costs are involved in the formulation of plans, e.g. expenses on board meetings, discussions with professional experts and preliminary investigations to find out the feasibility of the plan. If the costs incurred are greater than the benefits derived from the plan, it has adverse effect on the enterprise.</p> <p>e) It is a time consuming process: Sometimes plans to be drawn up take so much of time that there is not much time left for their implementation. However, planning will be a futile exercise if it is not implemented in time. Its time factor is not taken into consideration, conditions in the environment may change and all business plans may go waste.</p> <p>f) It does not guarantee success: The success of an enterprise is possible only when plans are properly drawn up and implemented. Managers have a tendency to rely on previously tried and tested successful plans. But it is not always true that a plan which has worked before, will work effectively again. Besides, there are so many other unknown factors on which managers do not have any control, e.g. natural calamities such as flood, earthquake, changes in taste and fashion of customers, etc.</p> <p>Any four points – ½ mark for side heading and 1 mark for explanation</p> <p style="text-align: center;">OR</p>	6

	<p><u>Setting objectives:</u> The first and foremost step is setting organizational objectives. Objectives may be set for the entire organisation and each department or unit within the organisation. Objectives or goals specify what the organisation wants to achieve. It should be stated clearly for all departments, units and employees. Objectives have to percolate down to each unit and employees at all levels. At the same time, managers must contribute ideas and participate in the objective setting procedures. 1 1/2</p> <p><u>Developing premises:</u> Planning is concerned with the future, which is uncertain. Therefore, the manager is required to make certain assumptions about the future. These assumptions are called premises. These assumptions are the base material upon which plans are to draw. This may be in the form of forecasts, existing plans or any past information about policies which must be same for all and there should be total agreement on it. Assumptions are made in the form of forecasts about the demand for the company's product government policy, wage rates, tax rates, etc. 11/2</p> <p><u>Identifying alternative courses of action:</u> Once objectives are set and assumptions are made, then the next step is to identify all possible alternative courses of action and act upon them. The course of action could be either routing or innovative. An innovative course may be adopted by involving more people and sharing their ideas. If the project is important, then more alternatives should be generated and thoroughly discussed amongst members of the organisation. 11/2</p> <p><u>Evaluating alternative courses:</u> The next step is to weigh the pros and cons of each alternative. The positive and negative aspects of each proposal need to be evaluated in the light of the objective to be achieved.</p> <p><u>For e.g.:</u> the risk –return tradeoff is very common. The more risky investment, the higher the returns it is likely to give. To evaluate such proposals detailed calculations of earning, earning per share, interest, taxes, dividends are made and decision are taken. Accurate forecasts in conditions of certainty/uncertainty then become vital assumption for these proposals. Alternatives are evaluated in the light of their feasibility and consequences. 11/2</p> <p>½ mark for side heading and 1 mark for explanation</p>	
33.	<p>a) Delegation. 1</p> <p>Importance:</p> <p>a) <u>Effective management:</u> Delegation of authority permits a manager to share his/her workload with his/her subordinates. By passing on the routine work to the subordinates, the manager is able to concentrate on policy matters and decision making. This would increase his/her effectiveness.</p> <p>b) <u>Motivation of employees:</u> Delegation implies grant of authority to the subordinates along with responsibility for work. As a result, subordinate have a sense of recognition. They</p>	6

	<p>are motivated to work for higher performance. They do their job to the best of their abilities and skills.</p> <p>c) <u>Employee development</u>: As a result of delegation , employees get more opportunities to utilize their talents. It allows them to develop those skills which will enable them to perform complex and higher responsibility tasks. This improves their career prospects and makes them better leaders and decision makers.</p> <p>d) <u>Facilitation of growth</u>: Delegation helps in the expansion and growth of an organisation by providing trained and experienced people – a ready workforce to take up leading positions in new ventures or projects.</p> <p>e) <u>Better coordination</u>: The elements of delegations, namely, authority, responsibility and accountability help to define power duties and answerability related to the various job positions in an organisation. This helps to avoid overlapping of duties and duplication of efforts ; and also helps in developing and maintaining effective coordination amongst various departments, levels and functions of management.</p> <p>f) <u>Basis of management hierarchy</u>: Delegation of authority establishes superior subordinate relationships, which are the basis of the hierarchy of management. Everyone knows who has to report to whom.</p> <p>1 mark each – Any five points – 1x5</p>	
34.	<p>a) The elements of marketing mix being taken into consideration by Rupali are Product and Price. 1/2+1/2</p> <p>The functions of marketing highlighted here are</p> <p>Gathering and analyzing market information : One of the functions of a marketer is to gather and analyse market information. This is necessary to identify the needs of the customers and take various decision s for the successful marketing of the products and services.This is important for making an analysis of the available opportunities and threats as well as strengths and weaknesses of the organisation and help in deciding the opportunities can best be pursued by it. 2</p> <p>b) <u>Product designing and development</u>: The design of the product contributes to making the product attractive to the target customers. A good design can improve performance of a product and also give it a competitive advantage in the market. 11/2</p> <p>c) Pricing: Price of the product refers to the amount of money customers have to pay to obtain a product. Price is an important factor affecting the success or failure of a product in the market. Generally lower the price, higher would be the demand for the product and vice-versa. The marketers have to properly analyse the factors determining the price</p>	6

	<p>of a product and take several crucial decisions in this respect, including setting the pricing objectives, determining the pricing strategies, determining the price and changing the prices.</p> <p>.</p> <p>11/2</p> <p>½ mark for identification and 1 mark for explanation For first point its 2 marks – ½ for heading and 1 1/2 for explanation</p>	
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