



**INDIAN SCHOOL MUSCAT  
SECOND PRELIMINARY EXAMINATION**

**SET –II  
BUSINESS STUDIES**

**CLASS: XII**

**Sub. Code: 054**

**Time Allotted:**

**3 Hrs.**

**06.02.2019**

**Max. Marks:80**

**EXPECTED VALUE POINTS AND SCHEME OF EVALUATION**

<b>Q.N O.</b>	<b>Answers</b>	<b>Marks (with split up)</b>
	<b>SECTION A</b>	
1	Ans. Right to consumer education.  OR  Ans. The correct answer is Cash Memo.	1
2	Communication.	1
3	Primary aim of financial management is to maximise shareholder's wealth, which is referred to as the wealth maximisation concept.  OR  Working Capital requirement of the 'Indian logistics' will be high as they will need more man power and other resources to manage these warehouses.	1
4	If the cost of debt is low then the capital structure of the firm will be skewed towards debt.	1
5	Ans. Permanent Account Number (PAN).	1
6	Strategy.	1
7	Semantic barriers are concerned with problems and obstructions in the process of encoding and decoding of message into words or impressions.	1
8	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 organisation.  OR  By reconciling personal objective with the organisational objective, management can	1

	help in achieving them.	
	SECTION B	
9	<p>Financial Planning: Financial planning refers to the planning regarding financial needs of the enterprise, various sources of raising funds and their optimum utilisation.</p> <p>Objectives of financial planning:</p> <p>(i) To ensure availability of adequate funds at the right time: This includes a proper estimation of funds required for different purposes such as for the purchase of long-term assets or to meet day-to-day expenses of business. Apart from this, it is essential to estimate the time at which the funds are to be made available. Based on these facts, funds could be raised from short-term and long, term sources.</p> <p>(ii) To see that the firm does not raise resources unnecessarily: Excess funding is almost as bad as inadequate funding. So, the financial manager must see to it that the company does not raise more capital than the requirement of the business. In case there is surplus cash or liquidity, the excess funds should be utilized judiciously.</p>	3 (1mx3)
10	<p>Factors affecting price of a product:</p> <p>(i) Product Cost – This includes the cost of producing, distributing and selling the product. The cost sets the minimum level or the floor price at which the product may be sold.</p> <p>(ii) Utility and Demand- the utility provided by the product and the intensity of demand of the buyer sets the upper limit of price, which a buyer would be prepared to pay.</p> <p>(iii) Extent of competition in the market - The price will tend to reach the upper limit in case there is lesser degree of competition while under conditions of free competition, the price will tend to be set at the lowest level.</p> <p>(iv) Government and Legal Regulations-In order to protect the interest of public against unfair practices in the field of price fixing, Government can intervene and regulate the price of commodities.</p> <p>(v) Pricing Objectives -If the firm decides to maximise profits in the short run, it would tend to charge maximum price for its products. But if it is to maximise its total profit in the long run, it would opt for a lower per unit price so that it can capture larger share of the market and earn greater profits through increased sales</p> <p>.(vi) Marketing Methods used.- Price fixation process is also affected by other elements of marketing such as distribution system, quality of salesmen employed, quality and amount of advertising, sales promotion efforts, (any 3)</p>	3 (1mx3)
11	<p>A complaint before the appropriate consumer forum can be made by:</p> <p>(i) Any consumer</p> <p>(ii) Any registered consumers' association</p>	3 (1mx3)

	<p>(iii) The Central Government or any State Government</p> <p>(iv) One or more consumers, on behalf of numerous consumers having the same interest and</p> <p>(v) A legal heir or representative of a deceased consumer.</p>	
12	<p>Financial incentives:</p> <p>It refers to incentives which are in direct monetary form or measurable in monetary terms and serve to motivate people for better performance.</p> <p>(i) Pay and allowances (ii) Productivity linked wage incentives (iii) Bonus (iv) Profit Sharing (v) Co-partnership / Stock option (vi) Retirement Benefits and (vii) Perquisites.</p> <p>Non-Financial Incentives:</p> <p>The emphasis is to provide psychological and emotional satisfaction rather than money-driven satisfaction.</p> <p>(i) Status (ii) Organisational Climate (iii) Career Advancement Opportunity (iv) Job Enrichment (v) Employee Recognition programmes (vi) Job security (vii) Employee participation (viii) Employee and Empowerment.</p> <p style="text-align: center;">OR</p> <p>Elements Of Communication Process:</p> <p>(i) Sender (ii) Message (iii) encoding (iv) media (v) decoding (vi) receiver (vii) feedback (viii) noise</p>	<p>3 (11/2mx2)</p>
13	<p>(i) The organising function is indicated here.</p> <p>(ii) a. Political environment is implicit in this case.</p> <p>b. The lines 'New liberalised environment has seen the entry of many MNC's in this sector'.</p> <p style="text-align: center;">OR</p> <p>Delegation is the transfer of authority from superior to subordinate.</p> <p>It has three elements: Authority, Responsibility and Accountability.</p> <p><b>Authority:</b> It refers to the right of an individual to command his subordinates and to take action within the scope of his position.</p> <p><b>Responsibility:</b> It is the obligation of a subordinate to properly perform the assigned duty.</p> <p>Importance of delegation is that it helps in effective management, employee development, motivation, growth and coordination.</p> <p><b>Accountability:</b> It implies being answerable for the final outcome.</p>	<p>3 (1mx3)</p>

	SECTION C	
14	<p>Leadership is the process of influencing the behaviour of people by making them strive voluntarily towards achievement of organisational goals.</p> <p>Qualities of Good Leader:</p> <p>(i) Physical features: Physical features like height, weight, health, appearance determine the physical personality of an individual.</p> <p>(ii) Knowledge: A good leader should have required knowledge and competence. Only such person can instruct subordinates correctly and influence them.</p> <p>(iii) Integrity: A leader should possess high level of integrity and honesty. He should be a role model to others regarding the ethics and values.</p> <p>(iv) Initiative: A leader should have courage and initiative. He should not wait for opportunities come to his way, rather he should grab the opportunity and use it to the advantage of organisation.</p> <p>(v) Communication skills: A leader should be a good communicator. He should have the capacity to clearly explain his ideas and make the people to understand his ideas.</p> <p>(vi) Motivation skills: A leader should be an effective motivator. He should understand the needs of people and motivate them through satisfying their needs. (any 3)</p> <p style="text-align: center;">OR</p> <p>Leadership style adopted by Pramod is Participative or Democratic style.</p> <p>(i) In Participative or Democratic leadership style, members of the group take a more participative role in the decision-making process.</p> <p>(ii) This leadership style is more effective and lead to higher productivity and better contributions from group members.</p> <p>(iii) As group members are encouraged to share their thoughts problems are solved faster through better ideas and more creative solutions.</p>	4 (1m+1mx3)
15	<p>Mr. Navin should approach the consultant for the new public issue of shares because stock exchange deals in existing securities only. Hence it is not worthwhile to approach any stock exchange.</p> <p>Following are the methods for the new public issue of shares:</p> <p>(i) Issuing Prospectus</p> <p>(a) In this method, company issues a prospectus containing details regarding its future plans, purpose for raising funds, past performance, details regarding promotes etc.</p> <p>(b) Prospectus is provided to help the potential investors understand and evaluate the earning potential and risk element in the proposed investment.</p>	4 (2+2) or (1mx4)

	<p>(ii) Private Placement</p> <p>(a) Here, the securities are allotted by a company to some select groups of persons. This method helps in raising capital more quickly than a public issue.</p> <p>(b) This is done by small or new companies to avoid the cost on account of public issue.</p> <p>(c) It is worth mentioning here that in the case of 'private placement', there is no need to issue formal prospectus and the terms of the issue can be negotiated between the company and the potential investors.</p> <p style="text-align: center;">OR</p> <p>Difference between Capital Market and Money Market:</p> <table border="1"> <thead> <tr> <th>Basis</th><th>Capital Market</th><th>Money Market</th></tr> </thead> <tbody> <tr> <td>1. Participants</td><td>The participants are financial institutions, banks, Corporates, foreign investors and retail investors.</td><td>The participants are RBI, financial institutions, banks, Corporates,</td></tr> <tr> <td>2. Instruments traded</td><td>shares, debentures and bonds.</td><td>treasury bill, commercial paper, certificates of deposit, call money and commercial bill,</td></tr> <tr> <td>3. Duration.</td><td>It deals in medium term and long term securities</td><td>It deals in short term securities</td></tr> <tr> <td>4. Liquidity</td><td>Capital market securities are comparatively less liquid</td><td>Money market securities are comparatively more liquid.</td></tr> </tbody> </table>	Basis	Capital Market	Money Market	1. Participants	The participants are financial institutions, banks, Corporates, foreign investors and retail investors.	The participants are RBI, financial institutions, banks, Corporates,	2. Instruments traded	shares, debentures and bonds.	treasury bill, commercial paper, certificates of deposit, call money and commercial bill,	3. Duration.	It deals in medium term and long term securities	It deals in short term securities	4. Liquidity	Capital market securities are comparatively less liquid	Money market securities are comparatively more liquid.	
Basis	Capital Market	Money Market															
1. Participants	The participants are financial institutions, banks, Corporates, foreign investors and retail investors.	The participants are RBI, financial institutions, banks, Corporates,															
2. Instruments traded	shares, debentures and bonds.	treasury bill, commercial paper, certificates of deposit, call money and commercial bill,															
3. Duration.	It deals in medium term and long term securities	It deals in short term securities															
4. Liquidity	Capital market securities are comparatively less liquid	Money market securities are comparatively more liquid.															
16	<p>Importance of understanding business environment:</p> <ol style="list-style-type: none"> <li>1. It enables the firm to identify opportunities and getting the first mover advantage.</li> <li>2. It helps the firm to identify threats and early warning signals.</li> <li>3. It helps in tapping useful resources.</li> <li>4. It helps in coping with rapid changes.</li> <li>5. It helps in assisting in planning and policy formulation.</li> <li>6. It helps in improving performance. (explain any four)</li> </ol>	(1mx4)															
17	<p>Planning Process :</p> <p>(i) Setting objectives: Objectives may be set for the entire organisation and each department or unit within the organisation.</p> <p>(ii) Developing premises: Planning is concerned with the future which is uncertain and every planner is making assumptions about what might happen in future.</p> <p>(iii) Identifying alternative courses of action: Once objectives are set, assumptions are made. Then the next step would be to act upon them.</p>	<p>4 (1mx4)</p>															

	(iv) Evaluating alternative courses: The next step is to weigh the pros and cons of each alternative.	
18	<p>Responsibilities that a consumer should keep in mind while purchasing, using and consuming goods and services.</p> <p>(i) Be aware about various goods and services available in the market so that an intelligent and wise choice can be made.</p> <p>(ii) Buy only standardised goods as they provide quality assurance. Thus, look for ISI mark on electrical goods, FPO mark on food products, Hallmark on jewelry etc.</p> <p>(iii) Learn about the risks associated with products and services, follow manufacturer's instructions and use the products safely.</p> <p>(iv) Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc.</p> <p>(v) Assert yourself to ensure that you get a fair deal.</p> <p>(vi) Be honest in your dealings. Choose only from legal goods and services and discourage unscrupulous practices like black-marketing, hoarding etc.</p> <p>(vii) Ask for a cash memo on purchase of goods or services. This would serve as a proof of the purchase made.</p> <p>(viii) File a complaint in an appropriate consumer forum in case of a shortcoming in the quality of goods purchased or services availed. Do not fail to take an action even when the amount involved is small.</p> <p>(ix) Form consumer societies which would play an active part in educating consumers and safeguarding their interests.</p> <p>(x) Respect the environment. Avoid waste, littering and contributing to pollution.</p>	4 (1mx4)
19	<p>(a) Marketing Mix</p> <p>Marketing Mix is the combination of variables chosen by a firm to prepare its market offering.</p> <p>(b) Various elements of this concept are: (i) Product (ii) Price</p> <p>(iii) Place (iv) Promotion (explain)</p> <p>(c) Values that the company wants to communicate to the society are:</p> <p>(i) Development of rural areas</p> <p>(ii) Creating job opportunities</p> <p>(iii) Concern for the society.</p>	4 (1+2+1)
	SECTION D	

20	<p>Ans. (a) Capital structure.</p> <p>(b) (i) Cash flow position (ii) Floatation cost (iii) Risk consideration</p> <p>(iv) Tax rate (v) Control. (explain any 4)</p>	<p>5 (1m+1mx4)</p>
21	<p>Midhun is working at the top level of management.</p> <p>Functions:</p> <p>a. Their basic task is to integrate diverse elements and coordinate the activities of different departments according to the overall objectives of the organisation.</p> <p>b. These top level managers are responsible for the welfare and survival of the organisation.</p> <p>c. They analyse the business environment and its implications for the survival of the firm.</p> <p>d. They formulate overall organisational goals and strategies for their achievement.</p> <p>e. They are responsible for all the activities of the business and for its impact on society. (any 4)</p>	<p>5 (1+1x4)</p>
22	<p>(a) Controlling.</p> <p>(b) step 1: Setting Performance Standards</p> <p>Step 2: Measurement of Actual Performance</p> <p>Step 3: Comparing Actual Performance with Standards</p> <p>Step 4: Analysing Deviations</p> <p>Step 5: Taking Corrective Action. (explain)</p> <p style="text-align: center;">OR</p> <p>(i) The function of management is 'controlling'.</p> <p>This is the third step of controlling process i.e., comparison of actual performance with established standards. This step involves finding deviations and their extent in identifying the causes of such deviations.</p> <p>(ii) Taking corrective actions: This is the last step of controlling process. By comparing actual performance with established standards, deviations are revealed. The remedial or corrective action is to be taken to remove deficiencies.</p> <p>Here, it involves change in working methods, material, machines, policies and procedures. It may also require improvement in the motivation, supervision and modifications in the business plan.</p>	<p>5 (1m+1mx4)</p> <p style="text-align: center;">OR</p> <p>(1m+1m for expln.+1m for identification +1m for expln.+1m for steps)</p>

	SECTION E																																														
23	<p>Organising is the process of defining and grouping the activities of the enterprise and establishing authority relationships among them. Theo Haimman.</p> <table> <tr> <td><b>Basis</b></td><td><b>Delegation</b></td><td><b>Decentralisation</b></td></tr> <tr> <td>Nature</td><td>Delegation is a compulsory act because no individual can perform all tasks on his own.</td><td>Decentralisation is an optional policy decision. It is done at the discretion of the top management.</td></tr> <tr> <td>Freedom of action</td><td>More control by superiors hence less freedom to take own decisions.</td><td>Less control over executives hence greater freedom of action.</td></tr> <tr> <td>Status</td><td>It is a process followed to share tasks.</td><td>It is the result of the policy decision of the top management.</td></tr> <tr> <td>Purpose</td><td>To lessen the burden of managers</td><td>To increase the role of the subordinates</td></tr> <tr> <td>Scope</td><td>It has narrow scope as it is limited to superior and his immediate subordinate.</td><td>It has wide scope as it implies extension of delegation to the lowest level of management.</td></tr> <tr> <td colspan="3">OR</td></tr> <tr> <td colspan="3">Organising definition repeated</td></tr> <tr> <td><b>Basis</b></td><td><b>Functional Structure</b></td><td><b>Divisional Structure</b></td></tr> <tr> <td>(i) Meaning</td><td>Grouping of entire work into major functional department</td><td>Grouping the jobs related to one product and organising them under a department</td></tr> <tr> <td>(ii) Formation</td><td>Formation is based on functions</td><td>Formation is based on product lines and is supported by functions</td></tr> <tr> <td>(iii) specialisation</td><td>Functional specialisation</td><td>Product specialisation</td></tr> <tr> <td>(iv) Responsibility</td><td>Difficult to fix on a department</td><td>Easy to fix responsibility for performance</td></tr> <tr> <td>(v) Cost involved</td><td>Functions are not duplicated, hence economical</td><td>Duplication of resources in various departments, hence costly</td></tr> <tr> <td>(vi) Suitability</td><td>For the firms having single product</td><td>For the firms having several products.</td></tr> </table>	<b>Basis</b>	<b>Delegation</b>	<b>Decentralisation</b>	Nature	Delegation is a compulsory act because no individual can perform all tasks on his own.	Decentralisation is an optional policy decision. It is done at the discretion of the top management.	Freedom of action	More control by superiors hence less freedom to take own decisions.	Less control over executives hence greater freedom of action.	Status	It is a process followed to share tasks.	It is the result of the policy decision of the top management.	Purpose	To lessen the burden of managers	To increase the role of the subordinates	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.	OR			Organising definition repeated			<b>Basis</b>	<b>Functional Structure</b>	<b>Divisional Structure</b>	(i) Meaning	Grouping of entire work into major functional department	Grouping the jobs related to one product and organising them under a department	(ii) Formation	Formation is based on functions	Formation is based on product lines and is supported by functions	(iii) specialisation	Functional specialisation	Product specialisation	(iv) Responsibility	Difficult to fix on a department	Easy to fix responsibility for performance	(v) Cost involved	Functions are not duplicated, hence economical	Duplication of resources in various departments, hence costly	(vi) Suitability	For the firms having single product	For the firms having several products.	(1m+1mx5)
<b>Basis</b>	<b>Delegation</b>	<b>Decentralisation</b>																																													
Nature	Delegation is a compulsory act because no individual can perform all tasks on his own.	Decentralisation is an optional policy decision. It is done at the discretion of the top management.																																													
Freedom of action	More control by superiors hence less freedom to take own decisions.	Less control over executives hence greater freedom of action.																																													
Status	It is a process followed to share tasks.	It is the result of the policy decision of the top management.																																													
Purpose	To lessen the burden of managers	To increase the role of the subordinates																																													
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.																																													
OR																																															
Organising definition repeated																																															
<b>Basis</b>	<b>Functional Structure</b>	<b>Divisional Structure</b>																																													
(i) Meaning	Grouping of entire work into major functional department	Grouping the jobs related to one product and organising them under a department																																													
(ii) Formation	Formation is based on functions	Formation is based on product lines and is supported by functions																																													
(iii) specialisation	Functional specialisation	Product specialisation																																													
(iv) Responsibility	Difficult to fix on a department	Easy to fix responsibility for performance																																													
(v) Cost involved	Functions are not duplicated, hence economical	Duplication of resources in various departments, hence costly																																													
(vi) Suitability	For the firms having single product	For the firms having several products.																																													
24	A. The function of management being performed by CYPLA to maintain a satisfactory work force is Staffing.	<p>6 (1m+1mx2+1mx3)</p>																																													



	<p>B. The two steps of staffing discussed above are:</p> <p>a. 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.</p> <p>b. 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.</p> <p>C. Following are the three steps in the process of staffing that the management had to perform before performing the above steps: (Any three)</p> <p>a. Estimating manpower requirements, which involves not merely knowing how many persons the company needs but also what type.</p> <p>b. Recruitment is defined as the process of searching for prospective employees and stimulating them to apply for jobs in the organization.</p> <p>c. Selection is the process of choosing from among the pool of the prospective candidates developed at the stage of recruitment.</p> <p>d. 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.</p>	
25	<p>Management is the process of planning, organising, staffing, directing and controlling the enterprise resources efficiently and effectively for achieving the goals of the organisation.</p> <p>Importance:</p> <p>(i) it helps in achieving group goals, (ii) increases efficiency, (iii) creates a dynamic organisation, (iv) helps achieve personal objectives and (v) contributes to the development of society. (explain)</p>	<p>6 (1m+1mx5)</p>