

INDIAN SCHOOL MUSCAT

FINAL EXAMINATION

NOVEMBER 2019

SET C

CLASS XII

Marking Scheme – Business Studies [THEORY]

Q.N O.	Answers	Marks (with split up)
1.	It is the process of eliminating the unsuitable and misfit candidates from the recruited people.	1
2.	Selecting the alternate course of action.	1
3.	Span of management	1
4.	Apprenticeship training	1
5.	Marketing mix	1
6.	A budget is a statement of expected result expressed in numerical terms for a definite period of time in the future.	1
7.	Mental exercise	1
8.	Top level management	1
9.	Investment decision	1
10	Policy - it is a general statement D	1
11	Formal	1
12	C functional organization	1
13	Benefits of specialization	1
14	false	1
15	A the AGMARK is given for eco -friendly product	1
16	Casual callers	1
17	False . it is development	1
18	Orientation	1
19	Selecting the alternate course of action. The act of overseeing the work done by the subordinates.	1
20	Registration of brokers, regulation of takeover , registration of collective schemes	1
21	<p>The limitations of planning highlighted in the above case are:</p> <p>Planning leads to rigidity. Because of the firm's advance planning it could not suddenly bring changes in its plans as the whole organisation had started implementing the decided plan.</p> <p>Planning may not work in a dynamic environment. However, the firm knows that the external environment is changeable and continues to vary in a fast manner.</p> <p>Planning involves huge costs. It has decided to allocate a portion of its budget specifically for proper planning as it knows that there are going to be expenses like Expert's fee, survey charges.</p>	3

22	<p>Autocratic leadership, also known as authoritarian leadership, is a leadership style characterized by individual control over all decisions and little input from group members. Autocratic leaders typically make choices based on their ideas and judgments and rarely accept advice from followers.</p> <p style="text-align: center;">Or</p> <p>Under this style, a manager gives complete freedom to his subordinates. The entire decision-making authority is entrusted to them. There is least intervention by the leader and so the group operates entirely on its own. There is free flow of communication. In this style manager does not use power but maintains contact with them. Subordinates have to exercise self control. This style helps subordinates to develop independent personality.</p>	3
23	<p>The functions of marketing highlighted in the above case are:</p> <p>Gathering and analysing market information. A garment manufacturing company has decided to identify the needs of the customers to start successful marketing of the garments produced by it and for this company is doing SWOT analysis (Strength, Weakness, Opportunity and Threat Analysis).</p> <p>Marketing Planning. It has decided to make a blueprint for the amount of production it will do, the efforts behind promotion it will put and all other major actions it will undertake to achieve its objectives.</p> <p>Transportation. The physical movement of its prepared garments was not proper last year and the company wants to ensure it is done properly this year.</p>	3
24	<p>Nature of the business : Manufacturing concerns require huge investment in fixed assets & thus huge fixed capital is required for them but trading concerns need less fixed capital as they are not required to purchase plant and machinery etc.</p> <p>Business Cycle :During boom period business need more fixed capital as the product demand is high and during recession business required less fixed capital.</p>	3
25	<p>1.The market place for new shares is called primary market. The place where formerly issued securities are traded is known as Secondary Market.</p> <p>2.It supplies funds to budding enterprises and also to existing companies for expansion and diversification. It does not provide funding to companies.</p> <p>3. New issue market and helps for the new investment. Existing security market helps investment and re investment.</p>	3
26	<p>The element of directing applied by the management is motivation. The management has applied a process of directing where the financial and non-financial needs of the employees are identified and are satisfied accordingly.</p> <p>The benefits of Motivation highlighted in the above case are:</p> <p>Motivation helps in increasing the performance level of the employees and the overall organisation. The output levels of the employees have touched a new high.</p> <p>Motivation helps in reducing the employee turnover of the company and thus helps the</p>	4

	<p>organisation in retaining employees. Two years back when the organisation had not applied this process the employees were leaving the</p> <p>organisation and were not loyal but now the situation has changed and there has been increase in the number of applicants for various jobs in the company.</p> <p>Motivation helps in reducing absenteeism in the organisation. There are many steps taken to increase the input of the employees and for this the work environment is made interesting in order to increase their regularity which has obviously increased the labour input during the recent years.</p>	
27	<p>Right to consumer education: Consumer has the right to acquire knowledge and to be well informed throughout life. He should be made aware of his rights and reliefs available to him in case of the product or service falls short of his expectations.</p> <p>Right to choose: Consumer has a right to choose any product out of the available products as per his own decision making.</p> <p style="text-align: center;">Or</p> <p>1. Consumers' Ignorance : Majority of consumers are not aware of their rights and reliefs available to them as a result of which they are exploited. In order to save consumers from exploitation, consumer protection is needed.</p> <p>2. Unorganised Consumers : In India consumers are still unorganised and there is lack of consumer organisations also, thus consumer protection is required.</p> <p>3. Widespread Exploitation of Consumers : Consumers are exploited on large scale by means of various unfair trade practices and consumer protection is required to protect them from exploitation.</p>	4
28	<p>i) Semantic barriers</p> <p>ii) The measures we would suggest him to adopt to improve his communication effectiveness are:</p> <p>Rajeev should clarify his ideas before communication. The reason behind this problem was that he himself was unsure about the concept he used to explain to the subordinates</p> <p>Rajeev should become a good listener. He was more concerned about speaking than listening.</p> <p>He should try to follow up communications. He forgot to review the instructions he had given to his subordinates about a very important programme to be organized in his home town.</p>	4
29	<p>Selection is the process of choosing the best candidate from a pool of applicants for the job.</p> <p>Important Tests Used for Selection of Employees:</p> <p>Intelligence Tests include important psychological tests used to measure the level of intelligence quotient of an individual.</p> <p>Aptitude Test is a measure of an individual's potential for learning new skills.</p> <p>Personality Tests give an insight into a person's emotions, reactions, maturity and value system etc.</p> <p>Trade Test seek to measure the existing skills of the individual.</p> <p>Interest Tests are used to know the pattern of interests or involvement of a person.</p>	5

30	<p>i) Decentralization .</p> <ol style="list-style-type: none"> 1. It seeks to develop initiative in the subordinates by promoting self-reliance and confidence amongst them and also helps to identify those executives who have the necessary potential to become dynamic leaders. 2. It provides relief to top management as the subordinates are allowed to operate independently within their area of jurisdiction. Consequently, the need for direct supervision is reduced. 3. It facilitates quick decision making as the employees are allowed to act independently within their jurisdiction without consulting others. 4. It develops managerial talent for the future by providing the employees with the necessary training and experience through exposure to varied challenging jobs and also facilitates identification of those employees who may and those who may not be successful in assuming greater responsibility. <p>ii) Functional structure with its meaning</p>	5																																	
31	<p>a) Usable benefits b) Quantity gift c) Rebate d) Product combination e) refund</p>	5																																	
32	<p>1. Let us presume that the share capital of Rs. 60 lakh is made up of Rs. 6 lakh equity shares assuming that the face value of each share is Rs.10.</p> <table border="1"> <thead> <tr> <th>Sources</th><th>Situation 1 (Amount (in Rs.))</th><th>Situation 2 (Amount (in Rs.))</th></tr> </thead> <tbody> <tr> <td>Equity shares</td><td>60,00,000</td><td>60,00,000</td></tr> <tr> <td>10 % Debentures</td><td>NIL</td><td>40,00,000</td></tr> <tr> <td>Total Capital</td><td>60,00,000</td><td>1,00,00,000</td></tr> <tr> <td>EBIT</td><td>—</td><td>8,00,000</td></tr> <tr> <td>Less: Interest</td><td>—</td><td>— (4,00,000)</td></tr> <tr> <td>EBT</td><td>—</td><td>4,00,000</td></tr> <tr> <td>Less: Tax @ 40%</td><td>—</td><td>— (1,60,000)</td></tr> <tr> <td>EAT</td><td>*3,00,000</td><td>2,40,000</td></tr> <tr> <td>No. of shares of Rs. 10 each</td><td>6,00,000</td><td>6,00,000</td></tr> <tr> <td>EPS</td><td>0.50</td><td>2,40,000/6,00,000 =</td></tr> </tbody> </table> <p>*0.50 x 6,00,000 = 3,00,000 Consequently EBT/EBIT in situation 1 = Rs. 5,00,000 Thus, on diversification, the earning per share fell down from Rs. 0.50 to Rs. 0.40. So shareholders lose the benefit.</p> <p>2The three factors that favour the issue of debentures by the company as part of its capital structure are as follows:</p>	Sources	Situation 1 (Amount (in Rs.))	Situation 2 (Amount (in Rs.))	Equity shares	60,00,000	60,00,000	10 % Debentures	NIL	40,00,000	Total Capital	60,00,000	1,00,00,000	EBIT	—	8,00,000	Less: Interest	—	— (4,00,000)	EBT	—	4,00,000	Less: Tax @ 40%	—	— (1,60,000)	EAT	*3,00,000	2,40,000	No. of shares of Rs. 10 each	6,00,000	6,00,000	EPS	0.50	2,40,000/6,00,000 =	6
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	<ul style="list-style-type: none"> • Tax deductibility: Debt is considered to be a relatively cheaper source of finance as the amount of interest paid on debt is treated as a tax deductible expense. • Flotation cost: The money spent by the company on raising capital through debentures is less than that spent on equity. • Control: The issue of debentures doesn't affect the control of the equity shareholders over the business as the debenture holders do not have the right to participate in the management of the business. 	
33	<p>Method of floatation used is offer for sale- In this method securities are not offered directly to the public but are offered for sale through intermediaries like stock brokers. (1 mark for identification and 1½ mark for explanation)</p> <p>Other methods are</p> <ol style="list-style-type: none"> 1. Offer through prospectus- 2. E-IPO- 3. Right issue : 4. Private placement <p style="text-align: center;">OR</p> <p>a. The steps discussed in above para are</p> <ol style="list-style-type: none"> 1. Selection of broker- The buying & selling can be through SEBI broker. The first step is to select a broker who will buy/sell securities on behalf of investor. 2. Opening DEMAT account with a depository participant. (1x2=2) <p>b. The next four steps of the trading procedure:</p> <ol style="list-style-type: none"> 1. Placing an order-. . 2. Executing order- 3. Issue of contract note-. 4. Settlement. 	6
34	<p>Press relation: Information about the organization needs to be presented in a positive manner The public relations department is in contact with the media to present the true facts about the company .Otherwise news can get distorted if taken from other sources.</p> <p>Lobbying: The organization has to deal with government officials and different ministers in charge with respect to policies relating to the business and the economy.</p> <p>Corporate communication: The image of the organization needs to be promoted through communicating with the public and employee with the organization .Companies rely on materials like newsletters .articles etc to influence their target markets</p> <p style="text-align: center;">Or</p> <p>Physical distribution includes all those activities that ensure the availability of the product at the right place, at the right time and in right condition so as to facilitate its purchase. Components of physical distribution are :</p> <p>Order Processing Inventory control Warehousing Transportation (with explanation)</p>	6