

FIRST TERM EXAMINATION

APRIL/MAY 2018

CLASS XII

Marking Scheme – BUSINESS STUDIES [THEORY]

Q.NO.	Answers	Marks (with split up)
1	<p>What is meant by ‘Liberalization’?</p> <p>Ans. As a part of economic reforms, the Government of India announced a new industrial policy in July 1991 which sought to liberate the industry from the shackles of the licensing system. OR</p> <p>The economic reforms that were introduced were aimed at liberalizing the Indian business and industry from all unnecessary controls and restrictions.</p>	1
2	<p>Why is management considered a multi-faceted concept?</p> <p>Ans. Management is a complex activity that has three main dimensions. These are:</p> <p>(a) Management of work</p> <p>b) Management of people</p> <p>(c) Management of operations</p>	1
3	<p>Laxmi Chemicals Ltd., a soap manufacturing company wanted to increase its market share from 30% to 55% in the long run. A recent report submitted by the Research & Development Department of the company had predicted a growing trend of herbal and organic products. On the basis of this report the company decided to diversify into new variety of soaps with natural ingredients having benefits and fragrances of Jasmine, Rose, Lavendear, Mogra, Lemon Grass, Green Apple, Strawberry etc. The Unique Selling Proposition (USP) was to promote eco-friendly living in the contemporary life style. The company decided to allocate Rs.30 crores to achieve the objective.</p> <p>Identify the type of one of the functions of management mentioned above which will help the company to acquire dominant position in the market.</p> <p>Ans. Planning-Strategy.</p>	1
4	<p>Why are rules considered to be plans?</p> <p>Ans. Rules are specific statements that inform what is to be done. They are usually the</p>	1

simplest type of plans because there is no compromise or change unless a policy decision is taken.

- 5 Ms. Bharti passed her M.B.B.S examination in the first division in 2011. Later on, the year 2014 she passed her M.S examination as an eye surgeon. She was awarded a gold medal in this examination. After completing her studies, she joined a big hospital as an eye surgeon. She is performing ten operations successfully every day. Now tell, what aspect of Ms. Bharti's above experience is science and what aspect is art? 1

Ans: The study of M.B.B.S and M.S. is science and working as an eye- surgeon is an art.

- 6 Telco Ltd. manufactures files & folders from old clothes to discourage the use of plastic files and folders. For this, they employed people from nearby villages where very less job opportunities are available. An employee, Harish designed a plan for cost reduction but it was not welcomed by the production manager. Another employee gave some suggestions for improvements in design, but it was also not appreciated by the production manager. 1

(a) Identify the principle of management that is violated in the above paragraph.

(b) Identify any two values that the company wants to communicate to the society.

Ans. (a) Initiative

(b) Concern for environment

(ii) Providing job opportunities. (any one)

- 7 Define Environment Scanning. 1

Ans. Environment Scanning means a process by which organisations monitor their relevant environment to identify opportunities and threats affecting their business.

- 8 According to Taylor, there should be an almost equal division of work and responsibility between workers and management. All the daylong the management should work almost side by side with the workers helping, encouraging and smoothing the way for them. 1

Name the principle of scientific management involved above.

Ans. Cooperation, Not Individualism.

- 9 Why has coordination gained more importance in the present day business concerns? 3

Ans. Coordination has gained more importance in the present day business concerns due to the following reasons: 1 x3

(i) Growth in size

(ii) Functional differentiation

(iii) Specialisation.

- 10 During partition, Kundan Lal came to Mumbai from Lahore with a lot of wealth. Keeping in view his innate ability to visualize and create things, he decided to work as a junior assistant in a film studio. Over a period of time, as he gained experience and his work was well acclaimed, he decided to set up his own film studio. Initially he was himself looking into every aspect of the business, but as his work increased manifolds and his own productivity reduced with age, he hired Jimmy as manager. Jimmy being immature in his work started giving booking for the studio haphazardly. He would never decide anything in advance or do any kind of forecasting of events. This led to lot of confusions and conflicts. As a result, the goodwill earned by Kundan Lal over the years began to decline. 3
1x3

In context of the above paragraph:

- (a) Identify and explain the function of management which Jimmy failed to perform by quoting lines from the paragraph.
(b) Describe briefly any two features of the function of management as identified in part (a).

Ans. (a). Planning.

(b). Features:

1. Planning is pervasive

2. Planning involves decision making. Explain. (any 2)

- 11 Your Grand Father has retired as the Director of a manufacturing Company. 3
1x3
At which Level of Management was he working? Different type of Functions are performed at this level. State the two functions?

Ans: (i) Top Level Management

(ii) Their basic task is to integrate diverse elements and coordinate the activities of different departments according to the overall objectives of the organisation.

(iii) These top level managers are responsible for the welfare and survival of the organisation.

(iv) They analyse the business environment and its implications for the survival of the firm.

(v) They formulate overall organisational goals and strategies for their achievement. They are responsible for all the activities of the business and for its impact on society.

- 12 Explain any two techniques of scientific management. 3
1 1/2 x 2
Ans. Functional Foremanship: The technique is to improve the performance of

supervisor in the factory set up. Taylor suggested functional foremanship through eight persons. Functional Foremanship is an extension of principle of division of work and specialization at the shop floor.

Motion Study - It refers to the study of movements like lifting, putting objects, sitting & changing positions etc. which are undertaken while doing a typical job. Unnecessary movements are eliminated so that it takes less time to complete the job efficiently.

Standardizations and simplification of work- The process of setting standards for every business activity. These standards are bench marks which must be adhered during production process. Simplification aims at eliminating superfluous varieties, sizes and dimension.

Method study the objective of method study is to find the one best way of doing the work

Time study it determines the standard time taken to perform a well defined job, the objective of time study is to determine the number of workers to be employed

Fatigue study. This study seeks to determine the amount and frequency of rest intervals in completion of a task

Differential piece wage system. According to this there are different rate of wage payment, higher rate for the efficient members who performed above standard and lower rate for those who perform below standards. (any 2)

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| 13 | Nowadays the market offers a lot of opportunities to the marketers as the customer income is rising. People have developed a taste for better quality products even though they may have to pay more. Their aspiration levels have increased. | 3

1x3 |
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(a) Which dimension of business environment is being referred to?

(b) Explain one more dimension of business environment with example.

Ans.(a) Social Environment

(b) Legal Environment.(explain any one)

E g. Consumer Protection Act 1986 etc.

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| 14 | Management is considered to be both an art and science. Explain. | 4 |
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Ans.	Management can be said to be an art since it satisfies the Management is considered to be both an art and science. Explain.	2x2
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following criteria:

- (i) A successful manager practices the art of management in the day-to-day job of managing an enterprise based on study, observation and experience.

- (ii) There are various theories of management, as propounded by many management thinkers, which prescribe certain universal principles. A manager applies these scientific methods and body of knowledge to a given situation, an issue or a problem, in his own unique manner.
- (iii) A manager applies this acquired knowledge in a personalized and skillful manner in the light of the realities of a given situation. He is involved in the activities of the organisation, studies critical situations and formulates his own theories for use in a given situation.

Management has some characteristics of science.

- (i) Management has a systematized body of knowledge. It has its own theory and principles that have developed over a period of time, but it also draws on other disciplines such as Economics, Sociology, Psychology and Mathematics.
- (ii) The principles of management have evolved over a period of time based on repeated experimentation and observation in different types of organisations.
- (iii) Since the principles of management are not as exact as the principles of science, their application and use is not universal. They have to be modified according to a given situation. However, they provide managers with certain standardized techniques that can be used in different situations. These principles are also used for training. (2 each)

- 15 A manager enhances the production target from 500 units to 700 units per month but the authority to draw raw material was not given by him. The production manager could not achieve the revised production target. Who is responsible and which principle was violated? Explain. 4
1+3

Ans. Authority is violated.

Authority and Responsibility: According to Fayol, "Authority is the right to give orders and obtain obedience, and responsibility is the corollary of authority. There should be a balance between authority and responsibility. An organisation should build safeguards against abuse of managerial power. At the same time a manager should have necessary authority to carry out his responsibility.

The above case shows that there is an imbalance in authority and responsibility. In this case the manager should be granted authority to draw raw materials.

Similarly, in this example this manager should not be given a power to enhance the production target from 500 units to 700 units per month.

- 16 Name and explain the principle of Henri Fayol, which suggests that communication from top to bottom should follow the official lines of command. 4
1+3

Ans.

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, “Organisations should have a chain of authority and communication that runs from top to bottom and should be followed by managers and the subordinates.”

Let us consider a situation where there is one head ‘A’ who has two lines of authority under her/ him. One line consists of B-CD-E-F. Another line of authority under ‘A’ is L-M-N-O-P. If ‘E’ has to communicate with ‘O’ who is at the same level of authority then she/he has to traverse the route E-D-C-B-A-L-M-N-O. This is due to the principle of scalar chain being followed in this situation. According to Fayol, this chain should not be violated in the normal course of formal communication. However, if there is an emergency then ‘E’ can directly contact ‘O’ through ‘Gang Plank’ as shown in the diagram. This is a shorter route and has been provided so that communication is not delayed. In practice you find that a worker cannot directly contact the CEO of the company. If at all she/he 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.

- 17 What is meant by Business Environment? Explain, with examples, the difference between general and specific environment. 4

1+1+2x2

Ans. The term ‘business environment’ means the sum total of all individuals, institutions and other forces that are outside the control of a business enterprise but that may affect its performance.

Specific forces (such as investors, customers, competitors and suppliers) affect individual enterprises directly and immediately in their day-to-day working. General forces (such as social, political, legal and technological conditions) have impact on all business enterprises and thus may affect an individual firm only indirectly.

- 18 The CEO of XYZ limited, Mr. Rajaram, after consultation with his Department heads, declared the target of One million units of the product. The financial department was asked to prepare a detailed plan with expected cash flow to ensure the achievement of the target. The sales & production department were asked to coordinate the development of routine steps to be followed to achieve the given target. The team leaders in the sales team and supervisors in production team briefed their team members on the manner in which the activities had to be performed to have a good qualitative and quantitative control. Due to the coordinated efforts of all the members the target was easily achieved by the company. 4
1x4

Quoting lines from the above, explain the various types of plans.

Ans. (a) **Objectives:** “Declared a sales target of one million units”. Objectives are defined as the final result which result which the management seeks to achieve by the operations of the company. They define the future activities which the management of an organization follows to realize the targets.

(b) **Budget:** “Detailed plan with expected cash flow “. A budget is a systematical financial statement of expected results of a specific time period. It can be expressed in

time, money or physical units. Budget can be used as an instrument for both planning as well as controlling.

(c) Procedure: “Development of routine steps that had to be followed”. Procedures consist of sequential steps to carry out activities within the policy frame work to attain predetermined objectives.

(d) Method: “the manner in which the activities had to be performed”. A method is defined as a manner of procedure, especially a regular and systematic way of accomplishing objectives. It represents the detailed outline of the activities that have to be performed according to the prescribed procedure.

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| 19 | ‘F’ limited was engaged in the business of food processing and selling its products under a popular brand. Lately the business was expanding due to good quality and reasonable prices. Also with more people working the market for processed food was increasing. New players were also coming to cash in on the new trend. In order to keep its market share in the short run the company directed its existing workforce to work overtime. But this resulted in many problems. Due to increased pressure of work the efficiency of the workers declined. Sometimes the subordinates had to work for more than one superior resulting in declining efficiency. The divisions that were previously working on one product were also made to work on two or more products. This resulted in a lot of overlapping and wastage. The workers were becoming indiscipline. The spirit of teamwork, which had characterised the company, previously was beginning to wane. Workers were feeling cheated and initiative was declining. The quality of the products was beginning to decline and market share was on the verge of decrease. Actually the company had implemented changes without creating the required infrastructure. | 4

1x4 |
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Questions:

1. Identify the Principles of Management (out of 14 given by Henry Fayol) that were being violated by the company.
2. Explain these principles in brief.
3. What steps should the company management take in relation to the above principles to restore the company to its past glory?

Ans. 1. Discipline, Unity of Direction, Unity of Command, Initiative, Espirit De Corps

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.

Unity of Direction: All the units of an organisation should be moving towards the same objectives through coordinated and focused efforts. Each group of activities

having the same objective must have one head and one plan. This ensures unity of action and coordination.

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.

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.

Espirit De Corps: Management should promote a team spirit of unity and harmony among employees, according to Fayol. Management should promote teamwork especially in large organisations because otherwise objectives would be difficult to realize. (any 4)

- 20 Naman and Govind after finishing their graduation under vocational stream decided to start their own travel agency which will book Rail Tickets and Air Tickets on commission basis. They also thought of providing tickets within ten minutes through the use of internet. They discussed the idea with their Professor Mr. Mehta who liked the idea and suggested them to first analyse the business environment which consists of investors, competitors and other forces like social, political etc. that may affect their business directly or indirectly. He further told them about the technological improvements and shifts in consumer preferences that were taking place and hence they should be aware of the environmental trends and changes which may hinder their business performance. He emphasised on making plans keeping in mind the threat posed by the competitors, so that they can deal with the situation effectively. This alignment of business operations with the business environment will result in better performance. 5
1x5

(i) Identify and state the component of business environment highlighted in the above Para.

(ii) State any two features of business environment as discussed by Professor Mehta with Naman and Govind.

(iii) Also state two points of importance of business environment as stated by Professor Mehta in the above situation.

Ans. (i) Technological Environment. It includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.

(ii) (a) Specific and general forces.

(b) Dynamic nature

(iii) a) It helps the firm to identify threats and early warning signals.

b) It helps in planning and policy formulation.

½ mark for identification and ½ mark for stating the point.

1/2 mark each for the heading and 1/2 mark for stating

1 mark each for stating the point

21 Explain any five points regarding significance of Principles of management. 5

Ans. (i) Increase in efficiency (ii) Optimum utilisation of resources 1x5

(iii) Scientific decision making (iv) Adaptation to changing environment Fulfilling
(v) social responsibilities (vi) Proper research and development (vii) Training
managers and Effective administration. (any 5)

22 Ajay and Sanjay are childhood friends. Sanjay had lost his right hand in an accident in childhood. They meet after a long time in a restaurant. On being asked, Sanjay tells Ajay that he feels very discontented in managing his family business after the death of his father as it doesn't match with his area of interest. Ajay knows that Sanjay possess extra ordinary skills in management although he hasn't acquired any professional degree in management. Therefore, he asks Sanjay to wind up his business in India and join him in his hotel business in Dubai as an Assistant Manager in Sales and Marketing division. 5
2+2+1

In context of the above case:

(a) Can Sanjay be deployed at the post of Assistant Manager in Sales and Marketing division though he hasn't acquired any professional degree in management? Explain by giving suitable justifications in support of your answer.

(b) List any two values that are reflected in this act of Ajay.

Ans. Yes, Sanjay can be deployed at the post of Assistant Manager in Sales and Marketing division although he hasn't acquired any professional degree in management as management is not considered to be to be a full-fledged profession because of the following reason:

(a) (i) Restricted entry

(i) Professional Association. (explain)

(b) Two values that are reflected in this act of Ajay:

(i) Compassion

(ii) Responsibility.

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| 23 | Define Coordination. Discuss the features of coordination. | 6
1x6 |
| | Ans. | |
| | <p>(i) Coordination integrates group efforts: Coordination unifies unrelated or diverse interests into purposeful work activity. It gives a common focus to group effort to ensure that performance is as it was planned and scheduled</p> <p>. (ii) Coordination ensures unity of action: The purpose of coordination is to secure unity of action in the realisation of a common purpose.</p> <p>(iii) Coordination is a continuous process: Coordination is not a one-time function but a continuous process. It begins at the planning stage and continues till controlling.</p> <p>(iv) Coordination is an all pervasive function: Coordination is required at all levels of management due to the interdependent nature of activities of various departments. It integrates the efforts of different departments and different levels.</p> <p>(v) Coordination is the responsibility of all managers: Coordination is the function of every manager in the organisation. Top level managers need to coordinate with their subordinates to ensure that the overall policies for the organisation are duly carried out.</p> <p>(vi) Coordination is a deliberate function: A manager has to coordinate the efforts of different people in a conscious and deliberate manner. Even where members of a department willingly cooperate and work,</p> | |
| 24 | “A good understanding of environment by business managers enables them not only to identity and evaluate but also to react to the forces external to their firm.” In the light of the above statement explain the importance of understanding business environment by a manager. | 6
1x6 |
| | Ans. Importance of understanding business environment: | |
| | <ol style="list-style-type: none"> 1. It enables the firm to identify opportunities and getting the first move 2. It helps the firm to identify threats and early warning signals. 3. It helps in tapping useful resources. 4. It helps in coping with rapid changes. 5. It helps in assisting in planning and policy formulation 6. It helps in improving performance (explain) | |
| 25 | An auto company C Ltd. is facing a problem of declining market share due to increased competition from other new and existing players in the market. Its competitors are introducing lower priced models for mass consumers who are price sensitive. For quality conscious consumers, the company is introducing new models | 6
3 |

with added features and new technological advancements.

1x5+1

Questions

1. Identify the limitations of such plans.
2. How will you seek to remove these limitations?

Ans. Limitations of planning

- (i) (i) Planning leads to rigidity: In an organisation, a well-defined plan is drawn up with specific goals to be achieved within a specific time frame. These plans then decide the future course of action and managers may not be in a position to change it.
 - (ii) Planning reduces creativity: Planning is an activity which is done by the top management. Usually the rest of the members just implements these plans. As a consequence, middle management and other decision makers are neither allowed to deviate from plans nor are they permitted to act on their own.
 - (iii) Planning involves huge costs: When plans are drawn up huge costs are involved in their formulation. These may be in terms of time and money for example, checking accuracy of facts may involve lot of time.
 - (iv) Planning 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.
 - (v) Planning does not guarantee success: The success of an enterprise is possible only when plans are properly drawn up and implemented. Any plan needs to be translated into action or it becomes meaningless.
2. Make plans according to the Feedback . Also Point wise suggestions can be seen.