



INDIAN SCHOOL MUSCAT
SENIOR SECTION
DEPARTMENT OF COMMERCE AND HUMANITIES
CLASS XII
BUSINESS STUDIES
SAMPLE PAPER -2 SOLVED



MARKS: 80

Date:

TIME ALLOWED: 3 Hrs.

General Instructions:

1. Attempt all parts of a question together.
2. Answer to questions carrying 1 mark may be from one word to one sentence
3. Answer to questions carrying 3 marks may be from 50-75 words
4. Answer to questions carrying 4-5 marks may be about 150 words
5. Answer to questions carrying 6 marks may be about 200 words.
6. All questions are compulsory.

1. Q. What is the objective of 'Method Study' as a technique of scientific management?

Ans. The objective of method study is to find out one best way of doing the job.

2 Q. Give an example of 'Employee Recognition Programmes' as a non financial incentive.

Ans. Examples of 'Employee Recognition Programmes are: (Any one)

(i) Congratulating the employees for good performance. (ii) Displaying employees' achievements on the notice board or company's news letter. (iii) Awarding best performance (or any other correct example)

3 Q. Government is planning to construct a warehouse in remote area to store necessary goods. So as to make them available even at the time of bad weather regularly. Which values are being considered here to be achieved by the government? (any two)

Ans. i) Stability in prices ii) Regular Supply of Goods

(iii) Fulfilling social responsibility (iv) Control on hoarding & Black- Marketing

4 Q. In an organization, informal communication is stressed instead of formal communication which results in non reaching of proper communication to proper person in proper time. It results in either non completion or delay in work. Which values have been violated here?

Ans. i) Encouragement to rumors. ii) Difficulty in fixing the responsibility.

iii) Not possible to obtain objective at time.

5. "Recruitment" is one of the specialized activity performed by human resource management. Mention any two other specialized activities of human resource management.

Ans. Other specialized activities of human resource management are: (Any two)

(i) Analysing jobs. (ii) Selection. (iii) Placement and orientation. (iv) Training and development of employees. (v) Performance Appraisal. (vi) Developing compensation and incentive plans. (vii) Maintaining labour relations and union management relations. (viii) Handling grievances and complaints. (ix) Providing for social security and welfare of employees. (x) Defending the company in law suits and avoiding legal complications.

6 Q. Give the meaning of 'Authority' as an element of delegation.

Ans. Authority refers to the right of an individual to command his subordinates and take action within the scope of his position.

7 Q. An electronic company manufacturing TV and Refrigerator wants to bring two new products Washing Machines and AC's in the market. For each product separate division are to be set up. In charge of washing machine division and AC's division will be female and disabled person respectively. Which values have been considered here?

Ans. i) Women Empowerment. ii) Promotion of equality.

iii) Making handicapped people independent. iv) Increase of job opportunity with production

8 Q. Amit is running an 'Advertising agency' and earning a lot by providing this service to big industries. State whether the working capital requirement of the firm will be 'less' or 'more'. Give reason in support of your answer.

Ans. Service industry does not have to maintain inventory thus require less working capital.

9 Q. How does 'Inflation' affect the working capital requirements of a company? State.

Ans. With inflation, the working capital requirements become higher as larger amount of money is required to maintain a constant volume of production and sales.

10 Q. XYZ Ltd. Co., manufacturing cosmetics and enjoying a predominant position in the industry has grown in size. Its business was very good till 1991. But after the new liberalized environment has been the entry of many MNCs in this sector with the result that market share of XYZ has declined. The company followed a very centralised business model with directors and divisional heads making even minor decisions. Which function of management is being indicated here?

(ii) What dimension of environment is implicit in this case? Indicate by quoting the lines from above para.

Ans. (i) The organising function is indicated here.

- (i) Political environment is implicit in this case. The lines 'New liberalised environment has seen the entry of many MNC's in this sector'.

11 Q. Explain the following rights of consumers:

- (i) Right to seek redressal;
- (ii) Right to consumer education

Ans. Ans. (i) Right to seek redressal: The consumer has a right to get relief such as replacement of product, removal of defect in the product, compensation for any loss or injury suffered by the consumer in case the product or service falls short of his expectations.

(ii) Right to Consumer Education: The consumer has the right to acquire knowledge about his rights and the reliefs available to him to be well informed.

12 Q. Hero Ltd.'s target is to produce 10,000 shirts per month at a cost of Rs. 150 per shirt. The production manager could achieve this target at a cost of Rs. 160 per shirt. Do you think the production manager is 'effective'? Give reason in support of your answer.

Ans. No, he is not efficient because he had achieved the target but at a higher cost.

Q. 13. All commercial banks have to maintain a minimum cash balance which is known as Cash Reserve Ratio. Amount of fund available with commercial banks to be given as loans increases or decreases whenever RBI changes the CRR. In order to maintain the CRR, all banks borrow from each other on which interest rate is also paid by the respective banks.

(a) Which money market investment is discussed above?

(b) Give the term for interest rate on money borrowed by the banks from each other. Does it remain fixed?

(c) If interest rate given above rises, then what will happen to other sources of finance such as commercial paper and certificate of deposit? Is there any relation between them?

Ans. (a) Call Money

(b) The interest rate on money borrowed by the banks from each other is known as call rate. It is highly volatile rate as it varies from day-to-day or sometimes even from hour-to-hour.

(c) Yes, there is inverse relation between them. If there is a rise in call money rates, other source of finance such as commercial paper and certificate of deposit becomes cheaper.

14 Q. Crackers Ltd., a fire cracker manufacturing company launched some new products on eve of Diwali which attracted many buyers. To meet the increased demand, the company employed children from nearby villages. Although the product was in great demand, appropriate safety warnings were not mentioned on the packets that led to many accidents.

(i) Identify and explain the important product related decision that was not taken into consideration by the company

(ii) Also, identify any two values which were violated by the company.

Ans. (i) The important product related decision that was not taken into consideration by the company is Labelling. It is the process of designing the label and putting it on the package to provide information regarding the product, its contents, methods of use etc.

(ii) Values violated by the company: -concern for safety of human beings. -respect for law (employing children as labour).-concern/ sensitivity for the environment. (or any other correct value)

15 Q. How directing helps in efficient and effective functioning of the organisation? Explain by giving any three points.

Ans. Directing helps in efficient and effective functioning of the organisation because: (any three)

(i) It helps to initiate action. (ii) It integrates employees' efforts.

(iii) It guides employees to realise their potential. (iv) It facilitates changes. (v) It brings stability and balance in the organisation.

16 Q. Rahim was working in an enterprise on daily wages basis. It was difficult for him to fulfill the basic needs of his family. His daughter fell ill. He had no money for his daughter's treatment. To meet the expenses of her treatment, he participated in a cycle race and won the prize money. The cycle company offered him a permanent pensionable job which he happily accepted.

(i) By quoting the lines from the above para identify the needs of Rahim that are satisfied by the offer of cycle company.

(ii) Also, explain two other needs of Rahim followed by above that are still to be satisfied.

Ans. (i) Needs of Rahim that are satisfied by the offer of cycle company are Physiological needs and Safety/security needs 'The cycle company offered him a permanent pensionable job'.

(ii) The other needs followed by the above stated needs that are still to be satisfied are:

(a) Affiliation/ Belongingness needs. These needs refer to the need for affection, sense of belonging, acceptance and friendship.

(b) Esteem needs: These needs refer to the need for self respect, autonomy status, recognition and attention.

17 Q. State any three responsibilities that a consumer should keep in mind while purchasing, using and consuming goods and services.

Ans. Responsibilities of the consumer to safeguard his interests: (Any three)

- (i) Be aware about various goods and services available in the market so that an intelligent and wise choice can be made.
- (ii) Buy only standardised goods as they provide quality assurance. Thus, look for ISI mark on electrical goods, FPO/ FSSAI mark on food products, Hallmark on jewellery etc.

- (iii) Learn about the risks associated with products and services, follow manufacturer's instructions and use the products safely.
- (iv) Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc.
- (v) Assert yourself to ensure that you get a fair deal.
- (vi) Be honest in your dealings and choose only from legal source and discourage unscrupulous practices like black-marketing, hoarding etc.
- (vii) Ask for a cash memo on purchase of goods or services. This would serve as a proof of the purchase made.
- (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.
- (ix) Form consumer societies which would play an active role in educating consumers and safeguarding their interests.
- (x) Respect the environment by avoiding waste and littering as it contributes to pollution.

18 Q. You are the Financial Manager of a newly established company. The directors have asked you to determine the amount of working capital requirement for the company. Explain any four factors that you will consider while determining the working capital requirement for the company.

Ans. (i) Scale of Operations: For organisations which operate on a higher scale of operation, the quantum of inventory, debtors required is generally high. Such organisations, therefore, require large amount of working capital as compared to the organisations which operate on a lower scale.

(ii) Business Cycle: Different phases of business cycles affect the requirement of working capital by a firm. In case of a boom, the sales as well as production are likely to be higher and therefore, higher amount of working capital is required. As against this the requirement for working capital will be lower during period of depression as the sales as well as production will be low.

(iii) Seasonal Factors: Most business have some seasonality in their operations. In peak season, because of higher level of activity, higher amount of working capital is required. As against this, the level of activity as well as the requirement for working capital will be lower during the lean season.

(iv) Production Cycle: Production cycle is the time span between the receipt of raw material and their conversion into finished goods. Some businesses have a longer production cycle while some have a shorter one. Duration and the length of production cycle, affects the amount of funds required for raw materials and expenses. Consequently, working capital requirement is higher in firms with longer processing cycle and lower in firms with shorter processing cycle.

19 Q. Explain any four points that highlight the importance of financial planning.

Ans. Financial planning is important to: (explain any four)

(i) Prepare for the future. (ii) Avoid business shocks and surprises. (iii) Coordinate various business functions. (iv) Reduce waste and duplication of efforts. (v) Link the present with the future. (vi) Link investment and financing decisions. (vii) Evaluate actual performance.

20 Q. Joseph Bros. was a firm manufacturing jute lamp shades. It uses left over jute pieces from various jute factories to manufacture economical lamp shades which are supplied to various hotels in nearby towns. It employs men and women from nearby villages as workers for creating good lamp shade designs. Joseph Bros., is not able to meet its targets. Namish, the supervisor of the company, was told to analyse the reasons for the poor performance. Namish found following problems and suggested certain solutions in the working of the business. The number of workers employed was less than what was required for the work. As a result, the existing workers were overburdened. The firm decided to search for new workers and it asked the present employees to introduce candidates or recommend their friends and relatives to the firm. This enabled the firm in "putting people to jobs" and assured attainment of objectives according to plans.

- a) Identify the functions of management being performed by the firm in the above situation.
- b) Name the concept and its source used by the firm to attract more workers for the firm.
- c) State any two values being followed by Jacob Bros.

Ans. (a) Staffing and Controlling

(b) Recruitment, External Source of Recruitment (Recommendations of employees)
Values being followed by Joseph Bros. :

- (i) Creating employment opportunities.
- (ii) Utilizing resources efficiently by using leftover clothes. (any other suitable value.)

21 Q. Discuss the impact of Government Policy Changes on business and Industry?

The policy of liberalisation, privatisation and globalisation of the Government has made a significant impact on the working of enterprises in business and industry, as follows-

- i) Increasing competition: As a result of changes in the rules of industrial licensing and entry of foreign firms, competition for Indian firms has increased especially in service industries like telecommunications, airlines, banking, insurance, etc. which were earlier in the public sector.
- (ii) More demanding customers: Customers today have become more demanding because they are well-informed. Increased competition in the market gives the customers wider choice in purchasing better quality of goods and services.
- (iii) Rapidly changing technological environment: Increased competition forces the firms to develop new ways to survive and grow in the market. New technologies make it possible to improve machines, process, products and services. The rapidly changing technological environment creates tough challenges before smaller firms.
- (iv) Necessity for change: In a regulated environment of pre-1991 era, the firms could have relatively stable policies and practices. After 1991, the market forces have become turbulent as a result of which the enterprises have to continuously modify their operations.

(v) Need for developing human resource: Indian enterprises have suffered for long with inadequately trained personnel. The new market conditions require people with higher competence and greater commitment. Hence the need for developing human resources.

(vi) Market orientation: Earlier firms used to produce first and go to the market for sale later. In other words, they had production oriented marketing operations. In a fast changing world, there is a shift to market orientation in as much as the firms have to study and analyse the market first and produce goods accordingly.90
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(vii) Loss of budgetary support to the public sector: The central government's budgetary support for financing the public sector outlays has declined over the years. The public sector undertakings have realised that, in order to survive and grow, they will have to be more efficient and generate their own resources for the purpose.

On the whole, the impact of Government policy changes particularly in respect of liberalisation, privatisation and globalisation has been positive as the Indian business and industry. Indian enterprises have developed strategies and adopted business processes and procedures to meet the challenge of competition. They have become more customer-focused and adopted measures to improve customer relationship and satisfaction.

22 Q. XYZ Power Ltd. set up a factory for manufacturing solar lanterns in a remote village as there was no reliable supply of electricity in rural areas. The revenue earned by the company was sufficient to cover the costs and the risks. The demand of lanterns was increasing day by day, so the company decided to increase production to generate higher sales. For this, they decided to employ people from nearby villages as very few job opportunities were available in that area. The company also decided to open schools and crèches for the children of its employees.

(i) Identify and explain the objectives of management discussed above.

(ii) State any two values which the company wanted to communicate to the society.

Ans. (i) The objectives of management referred to are:

a) Organisational objectives These refer to the utilisation of human and material resources considering the interest of all stakeholders.

(b) Social objectives These refer to the creation of benefit for various constituents of the society.

(ii) Values which the company wanted to communicate to the society are: (Any two) (a) Providing employment opportunities. (b) Development of backward regions. (c) Providing basic amenities to employees. (d) Concern for the environment. (or any other correct value)

23. Explain the importance of planning.

Ans. Importance of planning:

(a) Planning provides directions by stating in advance how work is to be done.

(b) Planning reduces risk of uncertainty by anticipating and showing how to deal with changes.

(c) Planning reduces overlapping and wasteful activities by coordinating the efforts of different divisions.

(d) Planning promotes innovative ideas as new ideas can take the shape of concrete plans.

(e) Planning facilitates decision making by helping the manager to make a choice from among the various alternative courses of action.

(f) Planning establishes standards for controlling and thus helps in finding out the deviations.

. 24 Q. Principles of Taylor and Fayol are mutually complementary. One believed that the management should not close its ears to constructive suggestions made by the employees while the other suggested that a good company should have an employee suggestion system whereby suggestions which result in substantial time or cost reduction should be rewarded. Identify and explain the principles of Taylor and Fayol referred in the above para.

Ans. (i) The principle of Taylor referred to is Cooperation, Not Individualism It states that there should be complete cooperation between the labour and the management. Competition should be replaced by cooperation.

(ii) The principle of Fayol referred to is Initiative It indicates that the subordinates should be encouraged to make and execute plans within the prescribed limits of authority. (explain)

25 Q. Differentiate between 'capital-market' and 'money-market' on the following basis: (i) Participants; (ii) Instruments; (iii) Investment outlay; (iv) Duration and (v) Liquidity.

Ans. Difference between Capital Market and Money Market: Basis Capital Market Money Market

| 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. Investment outlay | Investment outlay is small | . Investment outlay is large. |
| 4. Duration. | It deals in medium term and long term securities | It deals in short term securities |
| 5. Liquidity | Capital market securities are comparatively less liquid | Money market securities are comparatively more liquid. |