



**INDIAN SCHOOL MUSCAT
SENIOR SECTION
DEPARTMENT OF COMMERCE AND HUMANITIES
CLASS XII
BUSINESS STUDIES
SAMPLE PAPER – 5 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. Define 'planning premises'.

Ans. Planning premise is the assumptions about the future factors affecting the operations of the firm.

2. What is meant by 'efficiency' in management?

Ans. Doing the task correctly and with minimum cost is termed as efficiency in management.

3. How does management help in achieving personal objectives? State.

Ans. By reconciling personal objective with the organisational objective, management can help in achieving them.

4. Alliance Ltd. is engaged in manufacturing plastic buckets. The objective of the company is to manufacture 100 buckets a day. To achieve this, the efforts of all departments are coordinated and interlinked and authority-responsibility relationship is established among various job positions. There is clarity on how is to report to whom.

Ans. Organizing

5. Explain how 'cost of debt' affects the choice of capital structure of a company. [1]

Ans. If the cost of debt is low then the capital structure of the firm will be skewed towards debt.

6. 'Indian Logistics' has its own warehousing arrangements at key locations across the country. Its warehousing services help business firms to reduce their overheads, increase efficiency and cut down distribution time. State with reason, whether the working capital requirements of 'Indian Logistics' will be high or low.

Ans. Working Capital requirement of the 'Indian logistics' will be high as they will need more man power and other resources to manage these warehouses.

7. 'Beauty Products Ltd' is a natural and ethical beauty brand famous for offering organic beauty products for men and women. The company uses plant based materials for its products and is the No. 1 beauty brand in the country. It not only satisfies its customers but also believes in overall protection of the plant. Identify the marketing management philosophy being followed by 'Beauty Products Ltd.' [1]

Ans. Societal concept.

8. On Sonika's birthday her mother gave her a pair of gold earrings. After one month Sonika observed that the ear-rings are losing their shine. She checked the mark on the ear-rings and found that it was not a proper Hallmark and her mother had been cheated buy the shopkeeper. So, she filed a complaint in the district forum which rejected it. Not satisfied by the decision of district forum, she was very much disturbed and after two months decided to appeal further. Can Sonika appeal against the decision of the district forum? Give reason in support of your answer.

[1] Ans. Sonika cannot appeal against the decision of the district forum because the time period to appeal against the order of district forum is only 30 days.

9. What is meant by 'fictional structure' of an organisation? State its any two advantages. [3]

Ans. Functional Structure:- Functional structure refers to the organisation where the grouping of jobs is done on the basis of major functions of similar nature performed during the year. All separate departments report to a coordinating head.

Two advantages of Functional Structure are :

Specialisation - Each department focuses on its own work which makes them perfect in their task.

Lower cost - Minimum duplication of effort results in economies of scale.

10. Explain how the 'product related factors' affect the choice of channels of distribution? [3]

Ans. Product related factors that affect the choice of channels of distribution are: Industrial products - Short Channels Companies selling chemicals used in industries use short channels as the numbers of buyers are not many. Perishable products - Short Channels If the product is perishable then the channel will be short. Long channel will simply perish the product. For example milk Low value products - Long Channels Low value products such as pen have longer channels because they have to reach wide spread consumers.

11. Pramod was a supervisor at 'Annapurna Ata' factory. The factory was producing 200 quintals of aata every day. His job was to make sure that the work goes on smoothly and there was no interruption in production. He

was a good leader who would give orders only after consulting his subordinates and work out the policies with the acceptance of the group. Identify and describe the leadership style being adopted by Pramod. [3]

Ans. Leadership style adopted by Pramod is Participative or Democratic style. In Participative or Democratic leadership style, members of the group take a more participative role in the decision-making process. This leadership style is more effective and lead to higher productivity and better contributions from group members. As group members are encouraged to share their thoughts problems are solved faster through better ideas and more creative solutions.

12. 'Financial market plays an important role in the allocation of scarce resources in an economy by performing many important functions.' Explain any three such functions. [3]

Ans. Three important functions of Financial markets are:

Mobilisation of Savings & channeling them into the most productive uses:- savings of house hold sector is used by the industrial sector through Financial markets only. Thus Financial markets act as intermediaries.

Provide Liquidity to Financial assets:- Any person can easily sell Financial instruments through financial markets. Thus these markets provide liquidity to such instruments.

Reduce the cost of Transactions:- Person does not have to move from one place to another for selling the financial instruments. Thus the cost for searching a buyer is reduced.

13. Neeraj, a sales representative of 'Omida Ltd.' has changed seven jobs in the last one year. He is a hard working person but is not able to finalise deals with the customers due to his inadequate vocabulary and omission of needed words. Sometimes he uses wrong words because of which intended meaning is not conveyed. All this created a misunderstanding between him and his clients. (a) Identify the communication barrier discussed above. (b) State the category of this communication barrier.

(c) Explain any other communication barrier of the same category. [3]

Ans.(a) Semantic barriers.

(b) Badly expressed message.

(c) Technical Jargon:- Specialist such as doctors use technical words while explaining to a person who are not specialist in the field. Therefore they may not understand the actual meaning of such words.

14. What is meant by business environment? State any three points of their importance. [4]

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. For example Increase in taxes , Deregulation of diesel prices, etc.

Three importance of business environment are:

(a) It enable the firm to identify opportunities and getting the first mover advantage:

Opportunities refer to the positive external trends which helps a firm to improve its performance. Early identification of these opportunities will help firm in exploiting them instead of losing them. For example : Maruti Udyog Ltd. got the first mover advantage in launching a compact car which resulted them in establishing market leadership.

(b) It helps in tapping useful resources:- Environment provide various resources called inputs which a firm convert into output. Business firm also pays taxes to the government & dividend to shareholders. This can only be done by better understanding of environment.

(c) It helps in coping with rapid changes:- Today's environment is getting increasingly dynamic. The pace at which environment is changing creates turbulent market conditions. This resulted in less brand loyalty. Today's customers are more demanding. Managers must understand and examine the environment because there are rapid changes in technology & intense global competition.

15. Explain the following rights of a consumer as provided under Consumers Protection Act 1986: (a) Right to be informed; and (b) Right to seek redressal [4]

Ans.(a) Right to be Informed: - a consumer should have complete information about the product Ingredients, date of manufacture, price, quantity, etc. Such information can be displayed or printed on the package or label of the product.

(b) Right to seek Redressal :- Relief is available to the consumer in case the product or service falls short of his expectations. Consumer protection act provides a number of relief to a consumer. Relief is available in the form of replacement of the product or removal of defect in the product. In some cases adequate compensation is also provided to the consumer.

16. Samir Gupta started a telecommunication company, 'Donira Ltd.' to manufacture economical mobile phones for the Indian rural market with 15 employees. The company did very well in its initial years. As the product was good and marketed well, the demand of its products went up. To increase production the company decided to recruit additional employees. Samir Gupta, who was earlier taking all decisions for the subordinates are competent, capable and resourceful and can assume responsibility for effective implementation of their decisions. This paid off and the company was not only able to increase its production but also expanded its product range.

(a) Identify the concept used by Samir Gupta through which he was able to steer his company to greater heights.

(b) Also explain any three points of importance of this concept. [4]

Ans.(a) Decentralisation. (b) Three importance of decentralisation are : (i) Develops initiative among subordinates:- Subordinates are given complete freedom to do their Job. They learn to depend on their own judgment. They are constantly challenged and develop solutions as per the need.

(ii) Develops managerial talent for the future:- Handling assignments by the subordinates allow them to prove their abilities. This creates a reservoir of able managers. They can be considered to fill up higher level positions at the time of promotions .

(iii) Quick decision making:- Decisions are taken at all the levels in an organisation and at a place which is nearest to the point of actions. There is no requirement for approval from the higher authorities. Thus the decision making is much faster.

17. The workers of 'Vyam Ltd.' are unable to work on new and hi-tech machines imported by the company to fulfill the increased demand. Therefore, the workers are seeking extra guidance from the supervisor. The supervisor is overburdened with the frequent calls of workers. Suggest how the supervisor, by increasing the skills and knowledge of workers, can make them handle their work independently? Also state any three benefits that the workers will derive by the decision of the supervisor. [4]

Ans. Manager should arrange training for the employees. It can either be on the job or off the job depending upon resources and complexity of operations involved. Benefits to employees

- (a) Improved skills & knowledge
- (b) Increase performance
- (c) Training makes the employee more efficient.
- (d) Training increases the satisfaction and morale of employees.

18. 'Aapka Vidyalaya' believes in holistic development of students and encourages team building through a mix of curricular, co-curricular and sports. A committee of ten prefects was constituted to plan different aspects of the function. They all decided to use recycled paper for decoration. There was a spirit of unity and harmony and all members supported each other. With mutual trust and belongingness the programme was systematically planned and executed. Kartik, one of the prefects realised that unknowingly the group had applied one of the principles of management while planning and executing the programme. He was so inspired by the success of the function that he asked his father to apply the same principle in his business. His father replied that he was already using this principle.

- (a) Identify the principle of management applied for the success of the programme.
- (b) State any two features of management highlighted in the above para.
- (c) Identify any two values which 'Aapka Vidyalaya' communicated to the society. [4]

Ans.(a) Espirit De Corps.

(b) Two features of management highlighted in the above para are:(i) Management is all pervasive:- Management is present everywhere. Activities of management are common to all the organisation whether, Social or Political. Managers of India, USA or Germany use the same technique of management but the way of using the technique can be different.

(ii) Management is a group activity:- An organisation consist of many people. Each individual has different needs. Their purpose for joining the organisation is also different. But all the persons works towards a common goal thus, management is a team work or group activity.

(c) Two Values identified are:(i) Commitment. (ii) Concern for Environment.

19. 'Ganesh Steel Ltd.' is a large and credit-worthy company manufacturing steel for the Indian market. It now wants to cater to the Asian market and decided to invest in new hi-tech machines. Since the investment is large, it requires long-term finance. It decides to raise funds by issuing equity shares. The issue of equity shares involves huge floatation cost. To meet the expenses of floatation cost the company decides to tap the money-market.

- (a) Name and explain the money-market instrument the company can use for the above purpose.
- (b) What is the duration for which the company can get funds through this instrument?
- (c) State any other purpose for which this instrument can be used. [4]

Ans.(a) Commercial paper (Bridge Financing):- Commercial paper is a short term unsecured promissory note. It is negotiable and can easily be transferable by endorsement. Only large companies who have high creditworthiness in the markets can issue Commercial paper. It usually has a maturity period of 15 days to 1 year.

(b) Less than one year.

(c) Commercial papers is an alternative to bank borrowing and is used to provide short term funds for seasonal and working capital needs.

20. State any five features of 'Planning'. [5]

Ans. Main five features of planning are:

1. Planning focuses on achieving objectives:- While planning we set the specifics goals. Then we take up various activities to achieve these goals. Planning does not have any meaning until and unless it contribute towards achieving of organizational goals.
2. Planning is a primary function of management:- All other functions are based on planning only. Functions like Staffing, Directing, etc. are performed within the framework of plans drawn. Thus we can say that various functions of management are interrelated. Among all planning is the primary functions.
3. Planning is pervasive:- Planning is required at all levels and in all the departments. Planning is not an exclusive function of management or particular department. Scope of planning differs at different levels. For example : Top management plans for an organization as a whole where as lower level plans day-to-day operations.
4. Planning is continuous: - Plans are prepared for a specific period. This Period can be Month , Quarter or a Year. New plan are developed as per new requirement. Plan is framed; it is implemented and is followed by another plan, and so on.
5. Planning is futuristic:- Planning is futuristic as planning essentially involves looking ahead. Planning is preparing for the future. Purpose of planning is to meet future events effectively. Peeping into the future and analysing it, predicting it is essence of planning. Thus planning is Forward looking. For example, sales forecasting.

21. Smita had been working as an assistant manager with 'Johnson Enterprises' for the last ten years. She was very popular amongst her colleagues because of her commitment and dedication towards the work. When the manager senior to her retired, all her colleagues thought that now Smita would be promoted. But to everyone's surprise the vacant post was filled by an outsider, Mrs. Rita. Smita felt demoralised and her performance started declining. She would abstain herself often and could not meet her targets. Mrs. Rita was a good leader, who would not only instruct her subordinates but would also guide and inspire them. She noticed Smita's behaviour and felt her performance could be improved. She started involving Smita in decision making-issues related to the organisation and made her a part of high level joint-management committee. Smita was now punctual in office and her performance started improving.

(i) Identify the function of management being performed by Rita.

(ii) Name the element of the above function of management which helped Rita to improve Smita's behaviour.

(iii) State any three features of the element identified in (ii) above. [5]

Ans.(a) Directing. (b) Motivation. (c) Three features of motivation are :

(i) Motivation is an internal feeling: Needs of human being, which are internal, influence human behaviour. For example people may have the urge to have i-phone or a farm house. These urges are internal to an individual.

(ii) Motivation can be either positive or negative: Positive motivation provides positive rewards like increase in pay, promotion where as negative motivation uses negative means like punishment, stopping increments, threatening etc.

(iii) Motivation is a complex process: Individual are heterogeneous in their expectations, perceptions and reactions. Any type of motivation may not have uniform effect on all the members

22. A company was manufacturing 'LED bulbs' which were in great demand. It was found that the target of producing 300 bulbs a day was not met by the employees. On analysis, it was found that the workers were not a fault. Due to electricity failure and shortage of workers, the company was not able to achieve the set targets and alternative arrangements were needed. To meet the increased demand, the company assessed that approximately 88 additional workers were required out of which 8 would work as heads of different departments and 10 would work as subordinates under each head. The required qualifications and job specifications were also enlisted. It was also decided that necessary relaxation should be given to encourage women, persons from backward and rural areas and persons with special abilities to assume responsible positions in the organisation. All efforts were made to match the ability of the applicants with the nature of work.

(a) Identify the functions of management discussed above.

(b) State the two steps in the process of each function discussed in the above para.

(c) List any two values which the company wants to communicate to the society. [5]

Ans.

(a) Staffing and Organizing.

(b) Two steps in staffing process and organization process are :

(a) Two steps in Staffing process:

(i) Estimating the Manpower Requirements:- while designing the organisational structure, we undertake an analysis of activities as well as relationship among them with a view to evolving the horizontal and vertical dimensions of the structure. Thus, various job positions are created. Clearly, performance of each job necessitates the appointment of a person with a specific set of educational qualifications, skills, prior experience and so on.

(ii) Recruitment: Recruitment may be defined as the process of searching for prospective employees and stimulating them to apply for jobs in the organisation. The information generated in the process of writing the job description and the candidate profile may be used for developing the 'situations vacant' advertisement.

(b) Two Steps in Organizing process:

(i) Identification and Division of work: The first step in the process of organizing involves identifying and dividing the work into manageable activities to get the work done in accordance with previously determined plans. By doing this, duplication can be avoided and burden of work can be shared among the employees.

(ii) Departmentalisation: - After dividing the work, those activities which are similar in nature are grouped together. This grouping process is called departmentalisation & it facilitates specialisation. Departments can be created using several criteria as a basis. Example : some of the most popularly used basis are territory and products. (appliances, clothes, etc.)

(c) Two values identified are :

(i) Employment opportunities for Women and people with special abilities.

(ii) Upliftment of backward and rural areas

23. With the help of a diagram explain 'Functional Foremanship' as a technique of scientific management. [6]

Ans. Foreman is the lowest ranking manager & the highest ranking worker in an organisation. Entire production planning, implementation & control is pivot around foreman. Taylor identifies a list of qualities of a good foreman and found that no single person could fit them all. He advocated separation of planning and execution functions and at lowest level it known as functional foremanship. He suggests functional foremanship through eight persons who are all specialised in different qualities.

Under the factory manager there was a planning incharge and a production incharge. Under planning incharge four personnel namely instruction card clerk, route clerk, time and cost clerk and a disciplinarian worked. These four personnel would draft instructions for the workers, specify the route of production, prepare time and cost sheet and ensure discipline respectively. Under Production incharge, personnel who would work were speed boss, gang boss, repair boss, and inspector. These respectively were responsible for timely and accurate completion of job, keeping machines and tools etc., ready for operation by workers, ensure proper working condition of machines and tools and check the quality of work. Functional foremanship is an extension of the principle of division

24. 'Sarah Ltd.' is a company manufacturing cotton yarn. It has been consistently earning good profits for many years. This year too, it has been able to generate enough profits. There is availability of enough cash in the company and good prospects for growth in future. It is a well managed organisation and believes in quality, equal employment opportunities and good remuneration practices. It has many shareholders who prefer to receive a regular income from their investments. It has taken a loan of ` 40 lakhs from IDBI and is bound by certain restrictions on the payment of dividend according to the terms of loan agreement.

The above discussion above the company leads to various factors which decide how much of the profits should be retained and how much has to be distributed by the company. Quoting the lines from the above discussion identify and explain any four such factors. [6]

Ans. Factors affecting dividend policy in context to the above para are :

1. Amount of earnings:- As company is earning good profits for many years, it is in a position to declare high dividends. In the case study it said "It has been consistently earning profits for many years. This year too, it has been able to generate enough profits."

2. Growth opportunities:- Company has good prospects for growth in the future. Thus they may want to retain profits for expansion. In the case study it said "Good prospects for growth in future."

3. Cash flow position :- There is availability of enough cash in the company suggests that the company can declare good dividends. In the case study it said "There is availability of enough cash in the company."

4. Shareholders preference:- Company should declare dividends as number of share holder who expect regular income from their investment are many. In the case study it said "It has many shareholders who prefer to receive a regular income from their investments."

5. Contractual constrain: As the company has taken loan from IDBI, the bank may impose restriction on payment of dividend before the payment of loan. In the case study it said "It has taken a loan of Rs. 40 lakhs from IDBI and is bound by certain restrictions on the payment of dividend according to the terms of loan agreement."

25. 'Hayaram' is a famous chain selling a large variety of products in the Indian market. Their products include chips, biscuits, sweets and squashes. It charges a comparatively higher price than its competitors as it sells quality products. Besides, it offers regular discount to its customers and easy credit terms to its retailers. It has five of its own retail shops. It also sells its products through various grocery stores so that the products are made available to customers at the right place, in the right quantity and at the right time. It regularly uses different communication tools to increase its sales. The above para describes the combination of variables used by Hayaram to prepare its market offering. Identify and explain the variables. [6]

Ans. The marketing mix is a set of four decisions which needs to be taken before launching a product.

The 4 P's of marketing mix are as follows:

(a) Product (b) Price (c) Place (d) Promotion The combination of variables used by Hayaram is four P's of marketing mix.

(i) Product: Product decisions are the first decision need to take before any marketing plan. A product can be divided in to three parts.

(a) Core Product (b) Augmented Product (c) Tertiary product In case of Hayaram we can say that there are no core product but they are augmented product as company wants to increase its sales.

(ii) Price:- Pricing is used for sales promotions in the form of discount. In above case of Hayaram , high price is charged because of good quality.

(iii) Place:- It refers to the distribution channel of a product. It's a consumer product, it needs to be available as far and wide possible. It is a FMCG company therefore company is using this place variable. Any FMCG company needs to have a full proof logistics & supply chain plans for its distribution. Therefore Hayaram established its own five grocery stores. It is offering easy credit terms to retailers so that the product is available at right place at right time.

(iv) Promotion:- It means complete integrated marketing communication. In above case of Hayaram, company is using different communication tools. i.e. Advertising and sales promotion by allowing discounts to the customers.

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