

**MARKING SCHEME**  
**BUSINESS STUDIES (054)**  
**CLASS XII (2017-18)**

Ans1. Co-ordination. (1 mark)

Ans2. The manager/planner is required to make assumptions about the future. These assumptions are called planning premises. (1 mark)

Ans 3. Communication. (1mark)

Ans 4. Benefits of Autocratic or Authoritarian leader: (Any one)

- a. This leadership style is effective in getting productivity in many situations.
- b. Quick decision-making is also facilitated by this style of leadership. (1 mark for the statement)

Ans5. A high Debt Service Coverage Ratio indicates better ability to meet cash commitments and consequently, the company's potential to increase debt component in its capital structure. (1 mark)

Ans 6. Factors affecting working capital requirements: (Any one)

- a. Credit Allowed.
- b. Operating Efficiency. (1 mark)

Ans7. The following function was performed by SEBI- Calling for information by undertaking inspection, conducting enquiries and audits of stock exchanges and intermediaries. – Regulatory Function. (1 mark for the statement)

Ans 8. Right to be heard. (1 mark)

Ans9.

- a. It would be in the best interest of the organization if the existence of such groups is recognized and the roles that their members play are identified.
- b. The knowledge of such groups can be used to gather their support and consequently lead to improved organizational performance. Such groups can also provide useful communication channels.
- c. Instead of confronting them, the management should take skillfully take advantage of both formal and informal organization so that work continues smoothly. (3 marks)

Ans 10. Decisions Shyam should take to ensure low investment in fixed capital requirement with respect to:

- a. Nature of Business: Instead of setting up a manufacturing unit, Shyam should start a trading concern of buying handicrafts from the craftsmen and selling them.
- b. Scale of operations: Shyam should keep the scale of his organization small.
- c. Financing alternatives: A developed financial market may provide for leasing facilities. So instead of making outright purchase of assets, for example of office space, Shyam should take them on lease and reduce his requirement of fixed capital. (1x3=3 marks)

Ans11. Following are the functions of a supervisor: (Any three)

- a. Supervisor maintains day-to-day contact and maintains friendly relations with workers.
- b. Supervisor acts as a link between management and workers.
- c. Supervisor plays a key role in maintaining group unity among workers placed under his control.
- d. Supervisor ensures performance of work according to the targets set.
- e. Supervisor provides good on-the-job training to the workers and employees.
- f. Supervisory leadership plays a key role in influencing the workers in the organization.
- g. A good supervisor analyses the work performed and gives feedback to the workers. (1x3=3)

(1 mark for each statement)

Ans 12.

A. Advertising. (1 mark)

B. Merits of advertising: (Any two)

- a. Advertising enhances customer satisfaction and confidence, as they feel more comfortable and assured about the product quality and hence feel more satisfied.
- b. With the developments in art, computer designs, and graphics, advertising has developed into one of the most forceful and expressive medium of communication.
- c. Advertising is a very economical mode of communication if a large number of people are to be reached. (1x2=2)

(1 mark for each statement)

Ans 13. Following are the consumer responsibilities that a consumer must keep in mind while purchasing gold jewelry: (Any three)

- a. Be aware about various goods(types of jewelry) available in the market so that an intelligent and wise choice can be made.

- b. Buy only standardized jewelry as they provide quality assurance. Thus, look for Hallmark on jewelry.
- c. Learn about risks associated with the product, follow manufacturer's instructions.
- d. Read labels carefully so as to have information about prices, net weight, etc.
- e. Assert yourself to ensure a fair deal.
- f. Be honest in your dealings.
- g. Ask for a cash memo on purchase of the jewelry. (1x3=3)

(1 mark for each statement)

Ans 14 A. Following is the step in process of Planning:

Setting objectives: The first and foremost step is setting objectives. Objectives may be set for the entire organization and each department or unit within the organization. Objectives or goals specify what the organization wants to achieve. Objectives should be stated clearly. Management must contribute ideas and participate in the objective setting process. If the end result is clear it becomes easier to work towards the goal. (1/2 mark for identification+1 ½ marks for explanation)

B. Following is the last step to be performed by Quick Bizz as part of the process of Planning:

Follow up action: To see whether plans are being implemented and activities are performed according to schedule is also part of the planning process. Monitoring the plans is equally important to ensure that objectives are achieved. (1/2 mark for the heading + 1 ½ marks for the explanation)

Ans 15. The following needs given as per Maslow's Need Hierarchy Theory will not be satisfied by the two incentives- Basic pay and allowances (satisfies basic needs) & Retirement Benefits (satisfy safety and security needs) discussed above: (Any two)

- a. Affiliation /Belonging Needs: These needs refer to affection, sense of belongingness, acceptance and friendship.
- b. Esteem Needs: These include factors such as self-respect, autonomy status, recognition and attention.
- c. Self Actualization Needs: It is the highest level of need in the hierarchy. It refers to the drive to become what one is capable of becoming. (2x2=4)

(1/2 mark for heading + 1 ½ marks for explanation)

Ans 16. Following are the first four steps in the screen-based trading for buying and selling of securities in the secondary market:

- a. The investor has to approach a registered broker or sub-broker and sign a broker-client agreement and a client registration form before placing an order to buy or sell securities.

- b. The investor has to open a “demat” account or “beneficial owner” account with a depository participant for holding and transferring securities in the demat form.
- c. The investor then places an order with the broker to buy or sell shares, the broker will go ahead with the deal and issue the order confirmation slip to the investor.
- d. The broker then will go on-line and connect to the main stock exchange and match the share and best price available. (1x4=4)

(One mark for each statement)

Ans 17. A.

- a. The voice and opinion of the general public is important as they may be interested in the company and its product and have an impact on the business ability to achieve its objectives. Thus, it is imperative to manage public opinion and the company’s relation with the public on a regular basis.
- b. Consumer Activist groups need to be satisfied because they can impose restriction on the sales of the firm’s products directly by urging customers to refrain from buying them through the imposition of laws. (1x2=2)

B. The following departments in the firm can be given the task to disseminate information and build goodwill:

- a. The marketing department.
- b. A separate department to manage public relations.(1x2=2)

Ans18. The following are the variables used by R&T Reality to prepare its market offering:

- a. Product: Product means goods or services or ‘anything of value’, which is offered to the market for sale. The concept of product relates to not only the physical product but also the benefits offered by it from customer’s view point. The concept of product also includes the extended product or what is offered to the customers by way of after sales services, handling complaints, etc. The important product decisions include deciding about the features, quality, packaging, labeling and branding of the products.
- b. Price: Price is the amount of money customers have to pay to obtain the product. The marketers have not only to decide about the objectives of price setting but to analyse the factors determining the price and fix a price for the firm’s products. Decisions have to be taken in respect of discounts to customers, traders and credit terms, etc, so that the customers perceive the price to be in line with the value of the product.
- c. Place: Place or physical distribution include activities that make firms products available to the large customers. Important decision areas in this respect include selection of intermediaries to reach the customers, providing support to the intermediaries. The other

decision areas relate to managing inventory, storage and warehousing and transportation of goods from the place it is produced to the place it is required by the buyers.

- d. Promotion: Promotion of products and services include activities that communicate availability, features, merits, etc, of the products to the target customers and persuade them to buy it. Most marketing organizations undertake various promotional activities and spend substantial amount of money on the promotion of their goods through using number of tools such as advertising, personal selling and sales promotion techniques.

(1 x4=4) (1/2 mark for the heading+ 1/2 mark for the explanation)

Ans 19. The dimensions of Business environment discussed above which brought about the above change are:

- a. Legal environment- Legal environment includes various legislations passed by the Government, administrative orders issued by government authorities, court judgments, as well as the decisions rendered by various commissions and agencies at every level of government-Center, State, Local. Non-Compliance of laws can land the business enterprises into legal problems.
- b. Political environment- Political environment includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business. Attitudes of the government officials may have either positive or negative impact upon business.

(2x2=4) (1/2 mark for heading+ 1 ½ marks for explanation)

Ans 20. Following are the characteristics of management: (Any five)

- a. Management is a goal oriented process which unites the efforts of different individuals in the organization towards achieving these goals.
- b. Management is all pervasive as the activities involved in managing an enterprise are common to all organizations whether economic, social or political.
- c. Management is multidimensional as it is a complex activity that has three dimensions: Management of work, Management of people, Management of operations.
- d. Management is a process consisting of continuous, composite, but separate functions.
- e. Management is a group activity which ensures team work and coordination of individual effort in a common direction.
- f. Management is a dynamic function and has to adapt itself to the changing environment.
- g. Management is an intangible force that cannot be seen but its presence can be felt in the way the organization functions. (1x5=5)

Ans 21.

A. Controlling. (1 mark)

B. The steps of controlling discussed above are:

a. Analysing deviations: Some deviation in performance is expected in all activities. It is therefore, important to determine the acceptable range of deviations. Also, deviations in key areas of business need to be attended more urgently as compared to deviations in certain insignificant areas. Critical point control and management by exception should be used by the manager in this regard. After identifying the deviations that demand managerial attention these deviations need to be analyzed for their causes.

b. Taking Corrective Action: The final step in the controlling process is taking corrective action. No corrective action is required when the deviations are within acceptable limits. However, when the deviations go beyond the acceptable range, especially in the important areas, it demands immediate managerial attention so that deviations do not occur again and standards are accomplished. (2x2=4)(1/2 mark for heading+1 1/2marks for explanation)

Ans 22.A. Factors that should be kept in mind by the company while making the investment decision: (Any two)

- a. The amount of cash flows should be carefully analyzed before considering the decision.
- b. The rate of return of the project based on expected return and assessment of the risk involved from each proposal should be analyzed.
- c. The decision to invest in a particular project involves a number of calculations regarding the amount of investment, interest rate, cash flows and rate of return. (1x2=2)

B. The following are the reasons that make the above decision to be made carefully: (Any one)

- a. These decisions have a bearing on the long term growth.
- b. These decisions result in a substantial portion of capital funds being blocked in long-term project.
- c. These decisions influence the overall business risk complexion of the firm.
- d. These decisions once taken, are not reversible without incurring heavy losses. (1 mark)

C. Following are the values being fulfilled by Saksham Ltd.: (Any two)

- a. Responsibility
- b. Respect for law and order
- c. Sensitivity to environment
- d. Development of backward regions.
- e. Generating employment opportunities

(or any other suitable value)  $(1 \times 2 = 2)$   $(2 + 1 + 2 = 5)$

Ans 23. A. The function of management being performed by GIPRA to maintain a satisfactory work force is Staffing. (1 mark)

B. The two steps of staffing discussed above are:

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.

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.  $(1 \frac{1}{2} \times 2 = 3)$  (1/2 mark for identification+1 mark for the explanation)

C. Following are the two steps in the process of staffing that the management had to perform before performing the above steps: (Any two)

a. Estimating manpower requirements, which involves not merely knowing how many persons the company needs but also what type.

b. Recruitment is defined as the process of searching for prospective employees and stimulating them to apply for jobs in the organization.

c. Selection is the process of choosing from among the pool of the prospective candidates developed at the stage of recruitment.

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.  $(1 \times 2 = 2)$  (1 mark for each statement)

Ans 24.

A. Following are the principles of management highlighted by Rajat in his address to the employees: (Any Four)

a. Initiative: Initiative means taking the first step in self motivation. It is thinking out and executing the plan. But it does not mean going against the established practices of the company for the sake of being different.

b. Stability of personnel: "Employee turnover should be minimized to maintain organizational efficiency." according to Fayol. Personnel should be selected and appointed after due and rigorous procedure. But once selected they should be kept at their post/position for a minimum fixed tenure.

- c. Discipline: Discipline is the obedience to organizational rules and employment agreement which are necessary for the working of the organization. According to Fayol, discipline requires good superiors at all levels, clear and fair agreements and judicious application of penalties.
- d. Equity: There should be no discrimination against anyone on account of sex, religion, language, caste, belief or nationality, etc. Good sense and experience are needed to ensure fairness to all employees, who should be treated as fairly as possible.
- e. Espirit de corps: Management should promote a team spirit of unity and harmony among employees, according to Fayol. A manager should replace 'I' with 'We' in all his conversations with workers to foster team spirit.
- f. Subordination of individual interest to general interest: In all situations the interests of the group/company will supersede the interest of any one individual. This is so because larger interests of the workers and stakeholders are more important than the interest of any one person. (1x4=4) (1/2 mark for the heading +1/2 mark for the explanation)

B. Following are values that Rajat wanted to spread in the organization: (Any two)

- a. Responsibility
- b. Discipline.
- c. Conflict resolution.
- d. Good behavior in human interaction.
- e. Team work

(or any other suitable value) (1x2=2)

Ans 25. Following is the meaning and difference between Delegation and Decentralization :

Basis of difference	Delegation	Decentralization
1. Meaning	Delegation is the entrustment of responsibility and authority to another and the creation of accountability for performance. (or any other suitable meaning)	Decentralization explains the manner in which decision-making responsibilities are divided among hierarchical levels. (or any other suitable meaning)
2. Nature	Delegation is a compulsory act because no individual can perform all tasks on his own.	Decentralization is an optional policy decision. It is done at the discretion of the top management.
3. Freedom of action	More control by superiors hence less freedom to take own decisions.	Less control over executives hence greater freedom of action.



4. Status	It is a process followed to share tasks.	It is the result of the policy decision of the top management.
5. 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.
6. Purpose	To lessen the burden of the manager.	To increase the role of the subordinates in the organization by giving them more autonomy.

(1/2x2=1 mark for the meaning)

(1x5=5marks for the differences)