

COMMON BOARD EXAMINATION 2017-'18  
ANSWER KEY  
BUSINESS STUDIES  
CLASS XII  
SET 1

Q. NO	MARKING SCHEME	WEIGHTAGE				
1	<p>Manjima, who is from Bhopal doing BBA in Delhi University and she is staying in a hostel near to her college. She is allowed to contact her parents only in the evenings for 1 hour. One day when she started talking to her mother, immediately they were called by the in charge of the hostel. When she called her mother after some time she was asked to give her notebooks to a student who joined the same course late. She was very sad that she couldn't talk to her family members that day. She convinced her hostel matron and got permission to call again. By that time their dinner started. All students came out of their rooms and all started talking each other. Again she was not able to hear her mother properly. She ended the conversation by telling that she will call them the next day. What is the collective name of the hindrances that stopped her from communicating effectively to her mother?</p> <p>An: NOISE</p>	1 Mark for the correct answer				
2	<p>Tata International Ltd. earned a net profit of ₹ 50 crores. Ankit, the finance manager of Tata International Ltd. wants to decide how to appropriate these profits. State any two factors which will help him in taking this decision.</p> <p>An: 1. Growth opportunities of the business 2. cash flow position of the business 3. shareholders' preference 4. Stability of earnings.</p>	1= ½ for each point ½ + ½ Any two points.				
3	<p>One of the objectives of management is to consistently create economic value for various constituents of the society. Give two examples of this objective of management.</p> <p>An :</p> <ol style="list-style-type: none"> <li>1. Use environment friendly methods of production.</li> <li>2. Providing basic amenities to employees</li> <li>3. Giving employment opportunities</li> </ol>	1= ½ + ½ ½ for each point ½ + ½ Any two points.				
4	<p>From the point of view of 'floatation costs' which source of finance is appropriate to a company?</p> <p>An: Retained earnings is a source which does not involve any floatation cost.</p>	1				
5	<p>Differentiate between standing plans and single use plans on the basis of its formulation.</p> <p>An:</p> <table border="1" data-bbox="201 1772 1300 1881"> <thead> <tr> <th data-bbox="201 1772 753 1814">Single use plans</th> <th data-bbox="753 1772 1300 1814">Standing plans</th> </tr> </thead> <tbody> <tr> <td data-bbox="201 1814 753 1881">Single use plans are formulated for a particular event or a project</td> <td data-bbox="753 1814 1300 1881">Standing plans are formulated for long term use, modifications are made from</td> </tr> </tbody> </table>	Single use plans	Standing plans	Single use plans are formulated for a particular event or a project	Standing plans are formulated for long term use, modifications are made from	1= ½ + ½ ½ for each point
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	time to time.	
6	<p>What is meant by job enrichment as a type of non-monetary incentives?</p> <p>An: Job enrichment is concerned with designing jobs that include greater variety of work content, requires higher level of knowledge and skill, gives workers more autonomy and responsibility and provides opportunity for personal growth.</p>	1 mark for the meaning. Any other definition conveying the same meaning can be awarded 1 mark.
7	<p>Sarang purchased a refrigerator for ₹ 24,000 from an authorized dealer of the manufacturer with an oral guarantee that it will be replaced with a new one if any defect happens to it within 3 months from the date of purchase. The refrigerator's motor was burnt within a month of its purchase. On complaining, the dealer refused to replace the refrigerator. Name the redressal agency under consumer protection act where Sarang can file complaint.</p> <p>An: District forum</p>	1 Mark for the answer only on the basis of the amount involved.
8	<p>Name the instrument which is unsecured, negotiable, and short-term, in bearer form, issued by commercial banks and development financial institutions.</p> <p>An: Commercial papers.</p>	1Mark for the answer.
9	<p>Explain any six reliefs available to a consumer under Consumer Protection Act 1986.</p> <p>An :</p> <p>A) Repair of defective goods.  B) Replacement of defective goods.  C) Refund of price paid for the defective goods or service.  D) Removal of deficiency in service.  E) Refund of extra money charge.  F) Withdrawal of goods hazardous to life and safety.  G) Compensation for the loss or injury suffered by the consumer due to negligence of the opposite party.  H) Adequate cost of filing and pursuing the complaint.  I) Grant of punitive damages. Their grievances in an effective and simple manner.</p>	3 = ½ X 6 ½ mark each for correct points
10	<p>Bravo Ltd. is an Iron and Steel manufacturing company. The Managing Director of the company Mr. K.R. Malhotra is planning to establish a new unit in which he will be installing machinery worth ₹ 25 lakh.</p> <p>Which type of financial decision is involved in the above case? Explain two factors which will be considered by Mr. Malhotra before taking such a decision.</p> <p>An : Investment decision – how the firm's funds are invested in different assets.</p> <ol style="list-style-type: none"> <li>1. Rate of return of the project</li> <li>2. Cash flows of the project</li> <li>3. Investment criteria involved</li> </ol>	3 1 mark for the answer,  Any 2 points 1 mark each. ½ mark for the point and ½ mark for explanation.

11	<p>Mr.Binal is working as a supervisor in a paper manufacturing company. He is a hard working employee of the firm and works both effectively and efficiently. Since he belongs to the state of Manipur, he has always faced linguistic problems while communicating with others from other states.</p> <p>Identify the communication barrier faced by Binal. Also explain other types of barriers that fall under the same category.</p> <p>An : As Mr. Binal is having linguistic problems, it can be categorized as semantic barrier . (1 Mark)</p> <p>Other barriers that fall under semantic barriers are;</p> <ol style="list-style-type: none"> <li>1. Badly expressed messages</li> <li>2. Symbols with different meanings</li> <li>3. Faulty translations</li> <li>4. Unclarified assumptions. etc</li> </ol>	<p>3= 1+2 1 mark for the answer and any 2 points 1 mark each.</p>
12	<p>Variety Ltd. is a readymade garment manufacturing company which is planning to diversify into manufacturing of other related products like footwear, cosmetics, etc. Being a management expert suggest the most suitable organization structural design for the company. Also state four advantage which the firm will derive from your suggestion.</p> <p>An :</p> <p>Divisional structure is suitable to the company as it has various sections like footwear, cosmetics etc. (1 Mark)</p> <p>Advantages of divisional Structure.</p> <ol style="list-style-type: none"> <li>1. Helps in the development of varied skills of a superior.</li> <li>2. Helps in fixation of responsibility for the performance.</li> <li>3. It facilitates growth and expansion.</li> <li>4. Managerial development is easy.</li> <li>5. Coordination becomes easy.</li> </ol>	<p>3=1+2 1 mark for the concept ½ mark each for the points ½ X 4= 2</p>
13	<p>Identify and explain the element of marketing mix which affects the revenue and profits of the firm. Also explain any two factors determining this element.</p> <p>An: Price Mix is the factor which affects the revenue and profits of a firm.</p> <p><u>Factors affecting price</u></p> <ol style="list-style-type: none"> <li>1. Product cost</li> <li>2. Pricing objectives of the firm</li> <li>3. Competition in the market</li> <li>4. Government and legal regulations etc.</li> </ol>	<p>3=1+2 ! mark for the concept and 2 marks for 2 points. ½ mark for the point and ½ mark for the explanation</p>
14	<p>Beni after completing her MBA, took up the job in a multinational company named ‘Fortio’. The company was paying good salary and perks to its employees. The wages were within the paying capacity of the company that provided the employees a reasonable standard of living. The company also had a good work culture and the behavior of superiors was very good towards their subordinates. Beni was very happy in this organization but due to long working hours she did not have time to cook her</p>	<p>4 = 1+1+2</p>

	<p>meals. She had to depend upon outside food which was deteriorating her health. She observed that this problem was faced by many of her colleagues, not only in her company but also in many other companies. This was because of increase in the number of working women and non-availability of hygienic home-cooked food. She identified this as a great opportunity and decided to give up her job to supply packaged home-cooked food to officegoers at a reasonable price. At the end of the day she was also distributing the left-over food in the nearby night-shelters.</p> <ol style="list-style-type: none"> <li>State the dimensions of business environment being discussed in the above mentioned case.</li> <li>Identify any two values being communicated by the company to the society in the above case.</li> </ol> <p>An: a) social environment includes forces like customs, traditions, values etc(1mark)  b) Remuneration of employees- should be fair and justful.(1 mark)  c) values communicated are (any 2 values, 2 marks)</p> <ul style="list-style-type: none"> <li>• Good work culture</li> <li>• Good behavior</li> <li>• Respect for law</li> <li>• Concern for the employees</li> </ul>	
15	<p>Surabhi is a student of 10+2 (commerce) Class. She listened attentively and understood the lecture on Consumer Protection Act delivered by the teacher. Her teacher remarked that currently consumers enjoy several rights. In case, goods purchased by him/her causes harm to his/her health and property, there is a provision for compensating him/her. Besides, this Act also has some expectations from the consumers that during the course of his/her purchase he/she should keep certain things in mind. Briefly, provisions of the Act can protect the consumer only when he/she has complied with certain fundamental things.</p> <p>The very next day of this lesson, Surabhi purchased a Heater from Bharati Appliances. She made cash payment. But fails to get Cash Memo. While making use of the heater she observed that it was not working properly. She contacted the shopkeeper immediately and told him her problem. Shopkeeper paid no heed to her complaint. Rather he remarked that the good in question was not bought from his shop.</p> <ol style="list-style-type: none"> <li>Identify and explain the right and responsibility of the consumer as referred to in the above paragraph.</li> <li>In addition to the right and responsibility of the consumer identified in point (a) write one more right and responsibility.</li> <li>Can Surabhi lodge a complaint against the shopkeeper?</li> </ol> <p>An:</p> <ol style="list-style-type: none"> <li>The consumer must ask for a cash memo on purchase of goods and services. This would serve as a proof of the transaction. Here Raniya failed to get a cash memo from the shopkeeper. The right to seek redressal is not obtained by her in this case</li> <li>She should have purchased only standardized goods after checking the ISI mark on it. She did not get the Right to be heard also.</li> <li>As she does not have a cash memo, she can't file a case against the dealer.</li> </ol>	<p>4= 1 ½ +1 ½  +1</p> <ol style="list-style-type: none"> <li>1 ½</li> <li>1 ½</li> <li>1</li> </ol>

16	<p>Neeraj is a managing director of ‘Safe’ Ltd., a company engaged in manufacturing of helmets. Neeraj realizes the importance of consumer protection and makes sure that company’s products are as per prescribed quality standards. In order to increase the sale of company’s products, Neeraj decided to employ intermediaries to move products from the place of production to the place of consumption. It will help the firm to reach large number of consumers who are scattered over a large area.</p> <ol style="list-style-type: none"> <li>Identify the channel of distribution which Neeraj has decided to use.</li> <li>Explain how market factors can affect the choice of channel of distribution by a firm.</li> </ol> <p>An :</p> <ol style="list-style-type: none"> <li>Indirect channel of distribution. /One Level channel where the producer of goods appoint intermediaries to sell the products to the customers. (2 marks=1+1)</li> <li><u>Markets related factors</u> <ol style="list-style-type: none"> <li><u>Planning does not guarantee success</u></li> <li><u>Planning may not work in a dynamic situation.</u></li> </ol> </li> </ol>	4
17	<p>Rahul, a worker, is given a target of assembling two computers per day. Due to his habit of doing things differently, an idea struck him which would not only reduce the assembling time of computers but would also reduce the cost of production of the computers. Instead of appreciating him, Rahul's supervisor ordered him to complete the work as per the methods and techniques decided earlier as nothing could be changed at that stage.</p> <ol style="list-style-type: none"> <li>The above paragraph describes one of the limitations of the planning function of management. Name and explain that limitation.</li> <li>Explain any other three limitations of planning.</li> </ol> <p>An:</p> <ol style="list-style-type: none"> <li>Planning reduces creativity</li> <li>Other limitations are <ul style="list-style-type: none"> <li>Planning leads to rigidity</li> <li>It is a time consuming process</li> <li>It does not guarantee success etc.</li> </ul> </li> </ol>	4= a. ½ for point and ½ for explanation. Three points 3 marks ½ for point and ½ for explanation.
18	<p>ABC Ltd. issued prospectus for the subscription of its shares for ₹ 500 crores in 2015. The issue was oversubscribed by 20 times. The company issued shares to all the applicants on pro-rata basis. Later SEBI inspected the prospectus and found some misleading statement about the management of the company in it. SEBI imposed a penalty of ₹ 5 crores and banned its three executive directors for dealing in securities market for three years.</p> <ol style="list-style-type: none"> <li>Identify the function and its type performed by SEBI in the above case.</li> <li>What are the other functions performed by SEBI under the same category?</li> </ol> <p>An: Protective function has been performed by the SEBI in the above case. The type</p>	4 a. 1 mark b. 1 mark each for 3 points (1+3)

	<p>of such function is prohibition of fraudulent and unfair trade practices.</p> <p>(i) It Checks Price Rigging:</p> <p>(ii) It Prohibits Insider trading:</p> <p>(iii) SEBI prohibits fraudulent and Unfair Trade Practices SEBI promotes fair practices and code of conduct in security market</p> <p>(iv) SEBI undertakes steps to educate investors so that they are able to evaluate the securities of various companies and select the most profitable securities.</p>	
19	<p>Mrs. Rajlaxmi is working as the Human Resource Consultant in a firm that manufactures cosmetics, which is facing a problem of high employee turnover. The CEO of the company has invited suggestion from her for retaining the talented employees and reducing the employee turnover. Mrs. Rajlaxmi recommends that the good employees be rewarded in a way that it creates a feeling of ownership among the employees and at the same time, makes them contribute towards the growth of the organisation.</p> <p>(a) Identify the incentive and explain its type which has been suggested by Mrs. Rajlaxmi to the CEO of the company.</p> <p>(b) Also explain any two other incentives of the same type.</p> <p>An: a) Financial Incentive- co-partnership / stock option(1 mark) b) other financial incentives</p> <p>a. Pay and allowances b. Profit sharing (1 ½ for each point)</p>	<p>4</p> <p>a. 1 mark b. 1 ½ for each point</p>
20	<p>Babitha Ltd is engaged in manufacturing machine components. The target production is 250 units per day. The company had been successfully attaining this target until two months ago. Over the last two months it has been observed that daily production varies between 200-210 units per worker.</p> <p>Name the function of management and identify the steps in the process of this function which helped in finding out that the actual production of a worker is less than the target set.</p> <p>An: The management function is controlling. ( ½ mark explanation to it ½ mark)</p> <p><u>Steps in controlling</u></p> <ol style="list-style-type: none"> <li>1. setting performance standards</li> <li>2. measurement of actual performance</li> <li>3. comparing actual performance with standards</li> <li>4. analyzing deviations and taking corrective action</li> </ol>	<p>5=1+4 1 mark for each point.</p>
21	<p>How are the shareholders of a company likely to gain with a debt component in capital employed? Explain with the help of an example.</p> <p>An:</p> <p>Trading on equity is the financial process of using debt to produce gain for the residual owners. The practice is known as trading on equity because it is the equity shareholders who</p>	<p>5 1 mark for the concept. 3 marks for giving suitable example</p>

have only interest (or equity) in the business income.

**FAVOURABLE FINANCIAL LEVERAGE**

	<u>Company 'X'</u>	<u>Company 'Y'</u>
<u>Share capital</u>	<u>10,00,000</u>	<u>4,00,000</u>
<u>Loan @ 15% p.a</u>		<u>6,00,000</u>
<u>Total capital</u>	<u>10,00,000</u>	<u>10,00,000</u>
<u>Profit before interest and tax(30%)</u>	<u>3,00,000</u>	<u>3,00,000</u>
<u>less Interest (15%)</u>	<u>-</u>	<u>90,000</u>
<u>profit before tax</u>		<u>2,10,000</u>
<u>less tax 50%</u>	<u>1,50,000</u>	<u>1,05,000</u>
<u>profit after tax</u>	<u>1,50,000</u>	<u>1,05,000</u>

Return on Share capital =  $\frac{\text{Profit after tax}}{\text{share capital}} \times 100$

company X  
 $(1,50,000/10,00,000) \times 100 = 15\%$

company Y  
 $(1,05,000/4,00,000) \times 100 = 26.25\%$

it is clear from this example that the shareholders of Company Y earn higher rate of return than the other company due to the debt component in the capital structure.

1 mark for the conclusion.

22 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. As the demand of lanterns was increasing day-by-day, the company decided to increase production to generate higher sales. For this, they decided to employ people from a nearby village as very few job opportunities were available in that area. The company also decided to open schools and creches for the children of its employees.

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

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

An: The company is fulfilling the organizational and social objectives of management.

Organizational objectives include;

- survival in order to survive XYZ power Ltd earns profit.
- company's profits are sufficient to cover their costs and the risks.
- They decided to expand their business.

Social objectives

- Generation of employment opportunities
- Provides basic amenities like schools and creches.

(2 objectives 1 ½ mark each)

VALUES

1. providing employment opportunities
2. concern for the environment
3. socially responsible behavior

5

- a.  $1\frac{1}{2} \times 2 = 3$
- b. Any 2 points 2 marks

	Any two values 2 Marks	
23	<p>The IT major GIPRA is terminating the employment of its senior managers, if after evaluating their performance against pre-determined standards if it is found lacking. With this disruption analysts say a large portion of the employees may become irrelevant unless they learn new skills and apply the knowledge to work on emerging technologies. GIPRA is ready to facilitate employee learning, through its in-house centers.</p> <p>A. Name the function of management performed by GIPRA to maintain a satisfactory work force.</p> <p>B. Identify and explain the two steps in the process of the function of management discussed above.</p> <p>C. Also state any two steps of the function of management discussed, that the firm had to perform before performing the above steps.</p> <p>An:</p> <p>A. the function of management being performed by GIPRA to maintain a satisfactory work force is Staffing (1 mark)</p> <p>B. two steps in staffing discussed are</p> <ol style="list-style-type: none"> <li>Training and Development ( ½ mark for the point and 1 mark for explanation)</li> <li>Performance appraisal ( ½ mark for the point and 1 mark for explanation)</li> </ol> <p>C. Two steps of the function of management discussed, that the firm had to perform before performing the above steps were(any two ½ mark for point and ½ mark for explanation)</p> <ol style="list-style-type: none"> <li>Estimating manpower requirements</li> <li>Recruitment</li> <li>Selection</li> <li>Orientation</li> </ol>	6 <ol style="list-style-type: none"> <li>1 mark</li> <li>3 marks</li> <li>2 marks</li> </ol>
24	<p>a. Explain Differential Piece Wage system with example.</p> <p>b. Differentiate between unity of command and functional foremanship</p> <p>c. What is scalar chain?</p> <p>a. <u>Differential Piece Wage system with example.</u></p> <p>It is a technique which differentiates between efficient and less efficient workers. It rewards the efficient worker and motivates the less efficient worker to improve.</p> <p>Example :</p> <p>Standard output per worker per day is set as 100 units.</p> <p>Wage rate I: ₹ 4 per unit( for output <math>\geq</math> 100 units)</p> <p>Wage rate II: ₹ 3 per unit( for output <math>\leq</math> 100 units)</p> <p><u>Worker A</u></p> <p>Actual production : 110 units and his wages <math>110 \times 4 = ₹ 440</math></p> <p><u>Worker B</u></p> <p>Actual production : 80 units and his wages <math>80 \times 4 = ₹ 320</math></p> <p>difference in units produced = 30</p> <p>difference in wages = ₹ 200</p>	6= 2X3 2 marks each.



	<p>According to Taylor this loss will be the strongest motivator for worker B</p> <p><u>unity of command and functional foremanship</u></p> <p><u>unity of command</u></p> <ul style="list-style-type: none"> <li>• According to Fayol, there should be one and only one boss for every individual employee.</li> <li>• dual subordination should be avoided.</li> </ul> <p><u>Functional Foremanship</u></p> <ul style="list-style-type: none"> <li>• it is a scientific management technique which aims to improve the quality of supervision at shop floor by putting a worker under 8 specialist foremen.</li> <li>• Four foremen for planning and four foremen for execution are there.</li> </ul> <p><u>scalar chain</u></p> <p>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 superiors and subordinates.</p>	
25	<p>Atul joins as a Regional Sales Head in the export division of a FMCG (fast moving consumer goods) company. In a departmental meeting, he asks one of his subordinates, Manik to take charge of the company's new office in Dubai. He allocates the work to him and grants the necessary authority. However, within a month by seeking regular feedback on the extent of work accomplished from Manik, Atul realises that Manik is not doing the work as per his expectations. So he takes away the authority delegated to him and re-delegates the work to Prakrit. Due to the time wasted in this switch over, the work at the Dubai office suffers tremendously and the company is not able to meet its desired goals.</p> <p>In context of the above case:</p> <p>(a) Why is it important to delegate the authority? (3 points)</p> <p>(b) Can the authority granted to a subordinate be taken back and re-delegated to another person?</p> <p>(c) Can Manik be held responsible for not meeting the work related expectations of Atul? Give a suitable reason in support of your answer.</p> <p>a. <u>Importance of Delegation</u></p> <ol style="list-style-type: none"> <li>1. Effective Management</li> <li>2. Motivation Of Employees</li> <li>3. Employee Development</li> <li>4. Better Coordination</li> <li>5. Facilitation Of Growth</li> </ol> <p>b. yes the authority delegated can be taken back and re-delegated</p> <p>c. Manik be held responsible for not meeting the work related expectations of Atul. ½ mark</p> <p>Principle of absoluteness of accountability. Explanation(1 ½ marks)</p>	6

- a. any three points with relevant explanation ½ + ½ for each point.(3 marks)
- b. 1 mark
- c. 2 marks

