

COMMON BOARD EXAMINATION 2017-'18
ANSWER KEY
BUSINESS STUDIES CLASS XII
SET - 2

MARKING SCHEME		WEIGHTAGE				
1	<p>From the point of view of 'floatation costs' which source of finance is appropriate to a company? An: Retained earnings is a source which does not involve any floatation cost.</p>	1 Mark for the answer				
2	<p>Differentiate between standing plans and single use plans on the basis of its formulation. An:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 5px;">Single use plans</td> <td style="width: 50%; padding: 5px;">Standing plans</td> </tr> <tr> <td style="padding: 5px;">Single use plans are formulated for a particular event or a project</td> <td style="padding: 5px;">Standing plans are formulated for long term use, modifications are made from time to time.</td> </tr> </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 time to time.	1= 1/2 + 1/2 1/2 for each point
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3	<p>One of the objectives of management is to satisfy the diverse needs of the employees. Give two examples of this objective of management. An:</p> <ol style="list-style-type: none"> a. Providing competitive salaries and perks b. Fulfillment of social needs such as peer recognition c. Personal growth and development 	1=1/2 + 1/2 1/2 for each point (Any two points)				
4	<p>Mahima, who is from Lucknow 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 one hour. One day when she started talking to her mother, immediately they were called by the incharge 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? An: NOISE</p>	1 Mark				
5	<p>Sunil is a manager in a company. He always 'bosses around' people who are working under him. He uses both reward as well as punishment to get the work done by his subordinates. He does not allow his subordinates to participate in decision making and expects his subordinates to blindly follow his orders and instructions. Identify the leadership style followed by Sunil. An: Autocratic style of Leadership</p>	1 mark for the point				

6	<p>Godrej International Ltd. earned a net profit of ₹ 50 crores. Mahi the finance manager of Godrej 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>	<p>1= ½ for each point ½ + ½ Any two points.</p>
7	<p>Name the instrument which is unsecured, negotiable, short-term, in bearer form, issued by commercial banks and development financial institutions.</p> <p>An: Commercial papers.</p>	<p>1 mark for the answer</p>
8	<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>	<p>1 Mark for the answer only on the basis of the amount involved.</p>
9	<p>State six responsibilities which a consumer should keep in mind while buying, using and consuming goods and services.</p> <p>an: Consumer Responsibilities:</p> <ul style="list-style-type: none"> • To be aware of his/her rights in all aspects of consumption. • To verify the source of goods by reading the particulars of the country of origin. • To look for the specifications of the good he/she wishes to buy. • To comply with the health rules that make the item or product fit for use, and to follow instructions before using such items or products, such as washing fruits and vegetables well and boiling milk and cheese before consumption. • To abide by the instructions that are affixed on the packet or offer, and apply it as instructed, especially when it comes to the storage and preservation method and conditions. • Not to purchase materials, products or goods from street vendors. • Not to be tempted by misleading advertisements. • To read the content of the goods warranty card before purchasing. • To examine the goods and ensure they are defect-free before leaving the shop. • To verify the date of expiry for the goods, materials or medicine before purchasing and refrain from using expired items. 	<p>3 marks any 6 points ½ mark each</p>

10	<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. An: Price Mix is the factor which affects the revenue and profits of a firm. <u>Factors affecting price</u></p> <ol style="list-style-type: none"> 1. Product cost 2. Pricing objectives of the firm 3. Competition in the market 4. Government and legal regulations etc. 	<p>3=1+2 1 mark for the concept and 2 marks for 2 points. ½ mark for the point and ½ mark for the explanation</p>
11	<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 a machinery worth ₹ 25 lakh. Which type of financial decision is involved in the above case? State four factors which will be considered by Mr. Malhotra before taking such a decision. An : Investment decision – how the firm’s funds are invested in different assets.</p> <ol style="list-style-type: none"> 1. Rate of return of the project 2. Cash flows of the project 3. Investment criteria involved 	<p>1 mark for the answer, Any 2 points 1 mark each. ½ mark for the point and ½ mark for explanation.</p>
12	<p>Beiju 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. Identify the communication barrier faced by Beiju. Also explain other types of barriers that fall under the same category. An : As Mr. Binal is having linguistic problems, it can be categorized as semantic barrier . (1 Mark) Other barriers that fall under semantic barriers are;</p> <ol style="list-style-type: none"> 1. Badly expressed messages 2. Symbols with different meanings 3. Faulty translations 4. Unclarified assumptions. etc 	<p>3= 1+2 1 mark for the answer and any 2 points 1 mark each.</p>
13	<p>Smartlook 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 three advantage which the firm will derive from your suggestion. An : Divisional structure is suitable to the company as it has various sections like footwear, cosmetics etc. (1 Mark) Advantages of divisional Structure.</p> <ol style="list-style-type: none"> 1. Helps in the development of varied skills of a superior. 2. Helps in fixation of responsibility for the performance. 	<p>3=1+2 1 mark for the concept ½ mark each for the points ½ X 4= 2</p>

	<p>3. It facilitates growth and expansion.</p> <p>4. Managerial development is easy.</p> <p>5. Coordination becomes easy.</p>	
14	<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> <p>a. Identify and explain the right and responsibility of the consumer as referred to in the above paragraph.</p> <p>b. In addition to the right and responsibility of the consumer identified in point (a) write one more right and responsibility. Can Surabhi lodge a complaint against the shopkeeper?</p> <p>An:</p> <p>a. 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</p> <p>b. She should have purchased only standardized goods after checking the ISI mark on it. She did not get the Right to be heard also. As she does not have a cash memo, she can't file a case against the dealer</p>	<p>4= 1 ½ +1 ½ +1</p> <p>a. 1 ½</p> <p>b. 1 ½</p> <p>c. 1</p>
15	<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 meals. She had to depend upon outside food which was deteriorating her health.</p> <p>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</p>	<p>4 = 1+1+2</p>

	<p>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"> State the dimensions of business environment being discussed in the above mentioned case. Identify any two values being communicated by the company to the society in the above case. <p>An: a) social environment includes forces like customs, traditions, values etc(1mark)</p> <ol style="list-style-type: none"> Remuneration of employees- should be fair and justful.(1 mark) values communicated are (any 2 values, 2 marks) <ul style="list-style-type: none"> • Good work culture • Good behavior • Respect for law • Concern for the employees 	
16	<p>Kidzone Ltd. is a school bag manufacturer having a good market share. The sale of the firm increases during the months of April and May when the new academic session begins. This year the production target of the firm was around 50,000 bags. The production target was not achieved within the prescribed time and the revenue of the firm went down. The management has decided to collect feedback from the public and decided to launch school bags with new features in their brand name itself for the next year. They also have decided to reduce price in the initial stage and offered some gifts along with the new product. Some of the functions of marketing are described in the above paragraph. Identify and explain any four functions of marketing.</p> <p>An: 1. Gathering and analyzing market information 2. marketing planning 3. branding 4. pricing 5. promotion etc</p>	<p>4=1X4 one point with explanation 1 mark. ½ mark for point ½ mark for explanation</p>
17	<p>Reehan, 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, Reehan'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"> The above paragraph describes one of the limitations of the planning 	<p>4= a. ½ for point and ½ for explanation. Three points 3 marks ½ for point and ½ for explanation.</p>

	<p>function of management. Name and explain that limitation.</p> <p>b. Explain any other three limitations of planning.</p> <p>An:</p> <p>a. Planning reduces creativity</p> <p>b. Other limitations are</p> <ul style="list-style-type: none"> • Planning leads to rigidity • It is a time consuming process <p>c. It does not guarantee success etc.</p>	
18	<p>ABC Ltd. issued prospectus for the subscription of its shares for ₹ 500 crores in 2008. 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> <p>Identify the function and its type performed by SEBI in the above case.</p> <p>An: Protective function has been performed by the SEBI in the above case. The type 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>	<p>4</p> <p>a. 1 mark</p> <p>b. 1 mark each for 3 points (1+3)</p>
19	<p>“They are an essential part of it”. Yes, Supervisors perform exactly the same functions, to a greater or lesser degree, as all other managers in their organization—up to and including the duties of a chief executive. Each specific task, every responsibility, all the various roles that supervisors are called on to perform are carried out by the management. This process is repeated over and over, daily, weekly, and yearly, and consists of various functions. Explain any four such functions.</p>	<p>4</p>
20	<p>Rahul is a finance manager in Sun India Ltd. He has been assigned a task of preparing a financial blue print of the organization’s future operations in order to ensure that enough funds are available for the firm at the right time.</p> <p>Identify the process which has been assigned to Rahul. Also state four points highlighting the importance of this process.</p> <p>An: The process which has been assigned to Rahul was Financial planning</p> <p>Importance of financial planning</p> <p>a. Helps the company to prepare for the future</p> <p>b. Helps to avoid business shocks and surprises.</p> <p>c. Helps in coordinating various business functions</p>	<p>5 =1+4</p> <p>1 mark for the concept</p> <p>1 mark each for 4 points.</p>

	<p>d. Serves as a control technique</p> <p>e. Helps in developing a sound capital structure.</p> <p>f. Reducing wastage , duplication of efforts etc.</p>	
21	<p>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.</p> <p>(a)Identify and explain the objectives of management discussed above.</p> <p>(b)State any two values which the company wanted to communicate to the society.</p> <p>An: The company is fulfilling the organizational and social objectives of management.</p> <p>Organizational objectives include;</p> <ul style="list-style-type: none"> • 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. <p>Social objectives</p> <ul style="list-style-type: none"> • Generation of employment opportunities • Provides basic amenities like schools and creches. <p>(2 objectives 1 ½ mark each)</p> <p>VALUES</p> <ol style="list-style-type: none"> 1. providing employment opportunities 2. concern for the environment 3. socially responsible behavior <p>Any two values 2 Marks</p>	<p>5</p> <p>a. 1 ½ X 2 =3</p> <p>b. Any 2 points 2 marks</p>
22	<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:</p> <p>The management function is controlling. (½ mark explanation to it ½ mark)</p>	<p>5=1+4</p> <p>1 mark for each point.</p>

	<p><u>Steps in controlling</u></p> <ol style="list-style-type: none"> 1. setting performance standards 2. measurement of actual performance 3. comparing actual performance with standards 4. analyzing deviations and taking corrective action 	
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> <ol style="list-style-type: none"> A. the function of management being performed by GIPRA to maintain a satisfactory work force is Staffing (1 mark) B. two steps in staffing discussed are <ol style="list-style-type: none"> a. Training and Development (½ mark for the point and 1 mark for explanation) b. Performance appraisal (½ mark for the point and 1 mark for explanation) 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) <ol style="list-style-type: none"> a. Estimating manpower requirements b. Recruitment c. Selection d. Orientation 	6
24	<p>Answer the following questions</p> <ol style="list-style-type: none"> a. Explain work study in detail b. Explain the principle of Order c. Explain the principle of centralization and decentralization. <p>An:</p> <ol style="list-style-type: none"> a. <u>work study</u> (1 mark each for each technique 1X4=4) Work Study Frederick Winslow Taylor was the founder of scientific management. He broke up human activities into small parts and found out how it could be done effectively, in less time and with increased 	<p>6</p> <ol style="list-style-type: none"> a. 1 mark b. 3 marks c. 2 marks

	<p>productivity. His techniques are based on scientific approach. He developed these techniques after proper analysis and experiments. Taylor's work study techniques include - time study, motion study, fatigue study and method study.</p> <p>(a) Method Study (b) Motion Study (c) Time Study (d) Fatigue Study</p> <p>b. <u>Principle of Order (1 mark)</u> This principle states that there should be a proper order for everything. Fayol is of the view that in every organization there should be a fixed place for everything to facilitate smooth working and avoid wastage of resources. According to Fayol in every organization two different orders are necessary. Material Order and Social order</p> <p>c. <u>Principle Of Centralization And Decentralization.(1 mark)</u> When the power to take decision rests with the top management it is called as 'Centralisation'. When the power to take decision is given to the person performing the job it is called as 'Decentralisation'. Fayol is of the opinion that there should be a proper balance between centralisation and decentralisation. An organization must not be completely centralized or decentralized, there should be a match between the two depending upon the size, nature and location of business.</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) (b) Can the authority granted to a subordinate be taken back and re-delegated to another person? (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>An:</p> <p>a. <u>Importance of Delegation</u></p> <ol style="list-style-type: none"> 1. Effective Management 2. Motivation Of Employees 3. Employee Development 4. Better Coordination 	6

	<p>5. Facilitation Of Growth</p> <ul style="list-style-type: none">b. yes the authority delegated can be taken back and re-delegatedc. Manik be held responsible for not meeting the work related expectations of Atul. ½ mark <p>Principle of absoluteness of accountability. Explanation(1 ½ marks)</p>	
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