

CBSE
Class XII Business Studies
All India Board Paper Set 3 – 2018

Time: 3 hrs.

Max. Marks: 80

General Instructions:

- (i) Answers to questions carrying 1 mark may be from one word to one sentence.
- (ii) Answers to questions carrying 3 marks may be from 50-75 words.
- (iii) Answers to questions carrying 4-5 marks may be about 150 words.
- (iv) Answers to questions carrying 6 marks may be about 200 words.
- (v) Attempt all parts of a question together.

Question 1

In the paint industry, various raw materials are mixed in different proportions with petroleum for manufacturing different kinds of paints. One specific raw material is not readily and regularly available to the paint manufacturing companies. Bonler Paints Company is also facing this problem and because of this there is a time lag between placing the order and the actual receipt of the material. But once it receives the raw materials, it takes less time in converting it into finished goods.

Identify the factor affecting the working capital requirements of this industry. [1]

Question 2

Saurabh decided to start a chocolates manufacturing business. He set then target of earning 10% profit on sales in the first year. As a good businessman, he was concerned about the future of the business, which was uncertain. He gathered information that the demand for chocolates is increasing day-by-day. He used this information as the base for future planning and shared it with his team. On the basis of the gathered information, he scheduled a meeting in the following week to find innovative ways to achieve the objectives.

List the first two steps, which have been followed by Saurabh that are related to the process of one of the functions of management. [1]

Question 3

Give the meaning of 'Method' as a type of plan. [1]

Question 4

Define 'Decentralisation'. [1]

Question 5

'Buy one get one free' is printed on the label of the package of a mosquito repellent. State the labelling function being performed by this statement. [1]

Question 6

Give the constitution of the District Consumer Disputes Redressal Forum under the Consumer Protection Act, 1986. [1]

Question 7

Why is the understanding of 'Marketing Management Philosophies' important? [1]

Question 8

An investor wanted to invest ₹20,000 in Treasury Bills for a period of 91 days. When he approached the Reserve Bank of India for this purpose he came to know that it was not possible.

Identify the reason why the investor could not invest in the Treasury Bill. [1]

Question 9

Explain briefly any two points of importance of consumer protection from the point of view of business. [3]

Question 10

The Return on Investment (ROI) of a company ranges between 10-12% for the past three years. To finance its future fixed capital needs, it has the following options for borrowing debt:

Option 'A' : Rate of interest 9%

Option 'B' : Rate of interest 13%

Which source of debt, 'Option A' or 'Option B', is better? Give reasons in support of your answer. Also state the concept being used in taking the decision. [3]

Question 11

State the steps in the selection procedure, after the employment interview and before the job offer. [3]

Question 12

Sandhya is a successful manager at Manisons Enterprises. She has a team of twelve people working under her. She encourages them to set their own objectives and take decisions. She respects their opinions and supports them, so that they can perform their duties and accomplish organisational objectives. To manage and exercise effective control she uses forces within the group.

As an intelligent manager, at times, she also makes use of positive aspects of informal communication. This way, she is able to unify diverse interests and ensure that targets are met.

(a) There are many theories and styles of influencing people's behaviour. Identify the style used by Sandhya which is based on the use of authority.

(b) State two positive aspects of the communication discussed above, which Sandhya is using as an intelligent manager. [3]



Question 13

Differentiate between formal and informal organisations on the basis of (i) origin, (ii) authority, and (iii) flow of communication. [3]

Question 14

Explain any four points of importance of the controlling function of management. [4]

Question 15

Ram Murthy, the CEO of 'Goodcare Hospitals', a leading chain of hospitals, decided to reward the good work of the doctors of his organisation. For this he instituted two running trophies. A 'Healthcare Achievers Trophy' to acknowledge and appreciate the tireless efforts of the doctors who rendered selfless services to the patients and another 'Beti Bachao Trophy' to recognise the outstanding work done by the doctors in saving the girl child.

The CEO also wanted to improve the health services in rural areas all over the country. He decided that all doctors must work in rural areas for at least six months. He also decided that the paramedical staff should be employed locally.

- Identify the incentive provided by 'Goodcare Hospitals' to its doctors through running trophies.
- Which need of the doctors will be satisfied through the incentive identified in part (a)? State.
- State any two values that the CEO of 'Goodcare Hospitals' is trying to communicate to the society. [4]

Question 16

Sumit purchased an ISI marked washing machine of a famous brand 'MG' from TG Electronics Ltd. The shopkeeper asked him to wait for two days for installation of the machine. His friend, Vivek, was very fond of experimenting with new electronic products. He told Sumit that there is no need to wait for the company's representative to install the machine and that he could do it. So, both of them installed the machine without following the manufacturer's instructions. Initially, the machine worked effectively and the wash was good. But after two days, the machine started stopping in between the wash cycle. Sumit and Vivek tried their best to start the machine but failed in their efforts. Sumit, therefore, approached TG Electronics Ltd., which refused to provide any service on the plea that the installation of the machine was not done by the company.

- State the responsibility which Sumit had to fulfil as an aware consumer to get the services of the company.
- Explain briefly any two rights which Sumit could have exercised had he fulfilled his responsibility identified in part (a). [4]

Question 17

State the protective functions of Securities and Exchange Board of India. [4]



Question 18

Aradhana and Gandharv are heads of two different departments in 'Yumco Ltd.' 'They are efficient managers and are able to motivate the employee of their respective departments to improve performance. However, their drive to excel in their own sphere of activity instead of giving emphasis on objectives of the enterprise has hindered the interaction between the departments that Aradhana and Gandharv are heading. Often there are inter-departmental conflicts and they have become incompatible. This has proved to be harmful in the fulfilment of the organisational objectives. The situation has deteriorated to such an extent that the CEO of 'Yumco Ltd.' has hired a consultant, Rashmi, to resolve the problem. After studying the situation closely, Rashmi found that the problem has arisen due to inflexibility and a narrow perspective on the part of both Aradhana and Gandharv. She is of the view that this situation is a result of the type of organisational structure 'Yumco Ltd.' has adopted.

From the above information, identify the organisational structure adopted by 'Yumco Ltd.' and state any three advantages of the structure so identified. [4]

Question 19

In 2015, Naveen left his luxurious life in Mumbai, where he worked as a manager for Blue Birds Ltd. He shifted to Begampur, Chhattisgarh to fulfil his grandmother's dream of converting their 25-acre ancestral land into a fertile farm. For this he set out specific goals along with the activities to be performed to achieve the goals.

Every activity was a challenge since he was clueless about farming. He learnt every activity from filling the land to sowing the seeds. To aid farmers he launched his own company 'Innovative Agriculture Solutions Pvt. Ltd.'

It was difficult initially as no one trusted an urban youth telling farmers about farming. But when everything was discussed in detail the farmers started taking interest. He wanted to ensure that the future events meet effectively the best interests of the company. Through sales forecasting, he prepared an annual plan for production and sales.

He also found that the farmers grew only paddy, which was an activity of 3 - 4 months and land remained idle for the rest 8-9 months of the year. He not only identified but evaluated various alternatives through which the farms could be utilised for the remaining months of the year. Through correct foresight and logical and systematic thinking based on analysis of all facts, all alternative were examined and evaluated. He promoted a plan to the farmers, where after harvesting paddy, vegetables could be grown.

The above case highlights the features of one of the functions of management. By quoting lines from the above identify and explain these features. [4]

Question 20

After acquiring the necessary knowledge and skills on starting an Alovera Farm. Ashok wanted to be the leading manufacturer of Alovera products worldwide. He observed that the products were expensive as the demand of the products was more than supply. He was also keen to promote methods and practices that were economically visible, environmentally sound and at the same time protecting public health.

Ashok's main consideration was about the amount of money paid by the consumers in



consideration of the purchase of Aloevera products. He also thought that competitors prices and their anticipated reactions must also be considered for this.

After gathering and analysing information and doing correct marketing planning, he came to know that the consumers compare the value of a product to the value of money which they are required to pay. The consumers will be ready to buy a product when they perceived that the value of the product is at least equal to the value of money which they would pay.

Since he was entering into a new market, he felt that he may not be able to cover all costs. He knew that in the long run the business will not be able to survive unless all costs are covered in addition to a minimum profit.

He examined the quality and features of the products of the competitors and the anticipated reactions of the consumers. Considering the same he decided to add some unique features to the packaging and also decided to provide free home delivery of the products.

The above case relates to a concept which is considered to be an effective competitive marketing weapon. In conditions of perfect competition most of the firms compete with each other on this concept in the marketing of goods and services.

(a) Identify the concept.

(b) Explain briefly any four factors discussed in the above case related to the concept so identified. [5]

Question 21

What is meant by co-ordination? State its any four features. [5]

Question 22

'Konark Ltd.' Is an electronic goods manufacturing enterprise situated in Shivpuri, Madhya Pradesh. It is earning a very low revenue in comparison to a competing electronic goods manufacturing enterprise, 'Nova Ltd.' situated in Mumbai. Both Konark's and Nova's operations are affected directly by the investors, customers, competitors and suppliers, which are unique to their respective locations. In addition to this, individual firms of this field are affected indirectly by the factors like the money supply in the economy, composition of the families, the technological changes etc.

(a) Identify and state the feature of the concept discussed in the above paragraph.

(b) Also, state any four points of importance of this concept. [5]

Question 23

'Moga Industries Ltd,' approached a well established university in the city of Madurai to recruit qualified personnel for various technical and professional jobs. They selected Tanya, Ritu, Garima and Chetan for various Vacancies in the organisation.

After the selection and placement, 'Moga Industries Ltd,' felt the need to increase the skills and abilities, and the development of positive attitude of the employees to perform their specific jobs better. The company also realised that learning new skills would improve the job performance of the employees. Hence, the company decided to take action for the same.

a. Name the step of the staffing process regarding which the company decided to take action.

b. State the benefits of the action to 'Moga Industries Ltd.' [6]



Question 24

Explain briefly any four factors affecting the fixed capital requirements of an organisation. [6]

Question 25

Karan Nath took over 'D' north Motor Company' from his ailing father three months ago. In the past the company was not performing well. Karan was determined to improve the company's performance. He observed that the methods of production as well as selection of employees in the company were not scientific.

He believed that there was only one best method to maximise efficiency. He also felt that once the method is developed, the workers of the company should be trained to learn that 'best method'.

He asked the Production Manager to develop the best method and carry out the necessary training. The Production Manager developed this method using several parameters right from deciding the sequence of operations, place for men, machines and raw materials till the delivery of the product to the customers. This method was implemented throughout the organisation. It helped in increasing the output, improving the quality and reducing the cost and wastage.

Identify and explain the principles and the technique of scientific management followed by the Production Manager in the above case. [6]

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Answer 1

The factor affecting the working capital requirements of this industry is availability of raw materials.

Answer 2

Steps followed by Saurabh which are related to planning:

- i. Setting objectives
- ii. Developing premises

Answer 3

Method is a type of plan in which the way or manner to perform a task is provided. It differs from task to task.

Answer 4

Decentralisation refers to delegating authority or decision-making power to the lower levels of hierarchy.

Answer 5

The labelling function being performed by the given statement is 'helps in the promotion of products'.

Answer 6

District Consumer Disputes Redressal Forum comprises one President and two other members, one of whom is a woman.

Answer 7

An understanding of 'Marketing Management Philosophies' is important as it helps in determining the weightage to be given to different factors so that organisational objective can be achieved.

Answer 8

The investor could not invest in the Treasury Bill as treasury bills can be bought for a minimum amount of Rs 25,000 and in multiples thereof.

Answer 9

Consumer protection plays an important role for businesses in the following ways:

- i. **Long-Term Interest:** For any business, consumer satisfaction is essential. In today's times, with increasing competition, consumer satisfaction has become all the more

important. As the organisation takes care of the interests of consumers, it builds goodwill and reputation in the market. This in turn helps in increasing the sales and profits of the business. Thus, protecting consumer's interests benefits the business in the long run.

- ii. **Use of Resources:** Any business survives on the basis of society. It uses the resources of society for its various production activities. It earns profits with the sale of these goods and services to society. Thus, the business must take care of the interest of society and supply goods and services which adhere to the overall interests and well-being of society.

Answer 10

Option A is better than Option B for the company to finance its future fixed capital needs.

Reason: In Option A, Rate of return on investment (10–12%) > Rate of interest on borrowings (9%)

Concept used: Trading on equity

Answer 11

Steps in the selection procedure after the employment interview and before the job offer:

- i. **Background checks:** After the individual clears the interview, the organisation may ask for references such as from previous employers or other known persons. The references are then used to cross-check the information provided by the candidate.
- ii. **Selection decision:** When the candidate clears the tests and interviews, the final selection is done.
- iii. **Medical examination:** Some organisations may also conduct a medical examination, and the job is offered only when they are declared medically fit by a medical practitioner.

Answer 12

(a) **Democratic style of leadership** is being followed by Sandhya as she encourages her teammates to set their own objectives and take decisions.

(b) Two positive aspects of informal communication which are used by Sandhya:

- i. Spread of information is faster when it flows through an informal path.
- ii. Through informal communication, managers can get to know the true thinking or mindset of employees which can prove helpful in decision making.

Answer 13

Basis	Formal organisation	Informal organisation
Origin	It is a result of rules and policies of a company.	It is a result of social interactions among employees.
Authority	It is based on hierarchical structure.	It is based on personal qualities of members.
Flow of communication	It takes place through the scalar chain.	It can take place in any direction.



Answer 14

Points highlighting the importance of controlling in an organisation:

- i. **Achieving goals:** Controlling ensures that various activities are carried out correctly according to the plans. It ensures that deviations if any are identified and appropriate corrective action is taken.
- ii. **Reviewing standards:** An effective control system ensures that standards are set accurately. As the business environment changes, it ensures that the standards are also reviewed so as to adapt to the changes taking place.
- iii. **Enables efficiency in resource utilisation:** An effective control system ensures that there is minimum wastage of resources. In other words, it ensures that the resources are utilised optimally and in the most efficient manner.
- iv. **Better motivation:** With controlling, employees know what is expected from them and how their performance would be evaluated. This clarity motivates employees to perform better.

Answer 15

- (a) The incentive provided by 'Goodcare Hospitals' to its doctors through running trophies is **Employee Recognition Programme**.
- (b) **Esteem needs** of the doctors will be fulfilled through the employee recognition programme.
- (c) The values that the CEO of 'Goodcare Hospitals' is trying to communicate to the society:
 - i. Healthcare to rural people
 - ii. Upliftment of poor in rural areas

Answer 16

- (a) The responsibility which Sumit had to fulfil as an aware consumer to get the services of the company is to **learn the risks associated with the products and services, follow manufacturer's instructions and use the products safely**.
- (b) Two rights which Sumit could have exercised had he fulfilled his responsibility:
 - i. **Right to be Heard:** It is the right of consumers to be heard in an appropriate legal forum in case of any grievance or dissatisfaction faced by them. In other words, a consumer has the right to file a complaint in case of any grievance.
 - ii. **Right to Seek Redressal:** It is the right of consumers to seek redressal in case of a grievance and, if required, demand a suitable compensation. The Consumer Protection Act provides for compensation in the form of replacement of product, cash compensation and repair/removal of defects.

Answer 17

Protective functions of Securities and Exchange Board of India:

- i. One of the major objectives of SEBI is to check malpractices such as insider trading, violation of rules and non-adherence to the Companies Act.
- ii. SEBI provides investors with information about companies as required by them.
- iii. SEBI provides guidelines related to investment in securities. In this way, it enables investors to take well-informed decisions.

- iv. SEBI provides a code of conduct for the trade practices of various intermediaries such as brokers and merchant bankers. It keeps a check on the activities of these intermediaries and provides them a competitive environment.

Answer 18

Yumco Ltd. has adopted the **functional organisational structure**. Three advantages of the functional organisational structure:

- i. **Occupational specialisation:** Activities of a similar nature are grouped together in departments. Employees perform the same functions repeatedly. Thus, it leads to occupational specialisation.
- ii. **Easy training:** It is easy to train employees as the focus is on a limited range of skills.
- iii. **Better control and coordination:** There is better control and coordination within a department as similar tasks are performed within the department.

Answer 19

The given case highlights the **planning** function of management. The features of planning discussed in the given case:

- i. **Planning focuses on achieving objectives:** Planning starts when an objective is set and proper planning gives a boost to a well-organised and goal-oriented management. Plans ensure that the desired objective is attained economically and quickly, if possible.
Quote 1: He shifted to Begampur, Chhattisgarh, to fulfil his grandmother's dream of converting their 25-acre ancestral land into a fertile farm.
- ii. **Planning is futuristic:** Being an intellectual process, planning seeks to bridge the gap between where we are and where we want to go; it is a trap to capture the future, i.e. it is futuristic in nature.
Quote 2: He wanted to ensure that the future events meet effectively the best interests of the company. Through sales forecasting, he prepared an annual plan for production and sales.
- iii. **Planning involves decision making:** After coming up with all possible alternatives and its outcome, the managers need to evaluate them. This evaluation is based on the utility and consequences of the options and the performance study of various actions.
Quote 3: He not only identified but evaluated various alternatives through which the farms could be utilised for the remaining months of the year.
- iv. **Planning is a mental exercise:** Planning is a mental activity, in which the manager uses his mind for logical and systematic thinking.
Quote 4: Through correct foresight and logical and systematic thinking based on analysis of all facts, all alternatives were examined and evaluated.



Answer 20

(a) The concept discussed in the given paragraph is **price of the product**.

(b) Four factors discussed in the above case:

- i. Quoted Line: After gathering and analysing information and doing correct marketing planning, he came to know that consumers compare the value of a product to the value of money which they are required to pay. Consumers will be ready to buy a product when they perceived that the value of the product is at least equal to the value of money which they would pay.

Factor: **The Utility and Demand**

- ii. Quoted Line: He examined the quality and features of the products of competitors and the anticipated reactions of consumers.

Factor: **Extent of competition in the market**

- iii. Quoted Line: Considering the same he decided to add some unique features to the packaging and also decided to provide free home delivery of the products.

Factor: **Marketing methods used**

- iv. Quoted Line: Since he was entering into a new market, he felt that he may not be able to cover all costs. He knew that in the long run, the business will not be able to survive unless all costs are covered in addition to a minimum profit.

Factor: **Product cost**

Answer 21

Coordination refers to the process through which the various functions of management are synchronised towards the common goals and objectives of the organisation.

Features of Coordination:

- i. **Integrates group efforts:** Coordination acts as a binding force in the organisation in the sense that it unifies the efforts of various individuals in the organisation towards the achievement of common goals and objectives of the organisation.
- ii. **Team activity:** Coordination is essentially a team activity as it synchronises the contribution of all individuals for the accomplishment of organisational goals. That is, it combines the performance of individual workers for achieving the goals set.
- iii. **Collective enforcement:** The primary aim of coordination is to combine the contribution of all employees. It is a function which unifies the different functions of management. It makes sure that employees of an organisation work synchronously towards achieving organisational goals.
- iv. **Recurring process:** Coordination is a recurring process. It develops a medium among the functions of management. Coordination initiates in the beginning, i.e. from planning, and repeats till the end, i.e. till controlling. It ensures that goals are accomplished in accordance to the predetermined targets.

Answer 22

(a) The feature of the business environment discussed in the above paragraph is **specific and general forces**. Specific forces refer to the external forces or institutions which exist outside an organisation and with which an organisation has to interact during its working



course. General forces refers to those external forces which exhibit broad trends and conditions affecting all organisations.

- (b) Points highlighting the importance of business environment for business enterprises:
- i. **Accumulating useful resources:** Environment offers itself as a source of inputs such as raw material, machinery and labour for the running of an organisation. In return, the business supplies the environment with its output. This is possible only if the enterprises have an understanding of what the environment desires and what it can offer.
 - ii. **Adjusting to changes:** Business environment is dynamic in nature and is prone to numerous socio-economic changes. A careful analysis and understanding of the environment helps an enterprise to adapt with these changes and to take timely action.
 - iii. **Formulating plans and policies:** Understanding and analysing opportunities and threats help a business frame suitable plans and policies in view of the current scenario.
 - iv. **Improving performance:** The main aim of analysing and understanding the environment is to improve a firm's performance and efficiency. The future of an organisation depends on how closely it bonds with the environment and thrives to survive its ever changing policies.

Answer 23

- i. The step of the staffing process regarding which the company decided to take action is **training and development**.
- ii. Benefits of training and development:
 - a) **Less Wastage:** With training, employees learn to work systematically without the need of any hit and trial method. This helps in reducing the wastage of time and money.
 - b) **Higher Profits:** By developing the skills of individuals, it makes them more efficient and productive. With increase in overall productivity, the profits of the organisation rise.
 - c) **Managerial Efficiency:** Training imparts self-confidence among employees to face new challenges. It helps them to better deal with varied situations and problems.
 - d) **Reduced Absenteeism:** Effective training helps in boosting self-confidence and self-reliance of employees, which in turn helps in reducing absenteeism and employee turnover in the organisation.
 - e) **Less Accident Prone:** With proper training, employees become more efficient in handling complex machines. This helps in reducing the chances of an accident.

Answer 24

Factors affecting the fixed capital requirements of an organisation:

- i. **Scale of operations:** A company which is operating in a large-scale of operations will require larger fixed assets in the form of plants, land and building.
Larger organisation ⇒ Higher investment in fixed assets
Small organisation ⇒ Lower investment in fixed assets



- ii. **Choice of technique:** A company may use labour-intensive or capital-intensive techniques. A company using capital-intensive techniques will require larger fixed assets, whereas a company using labour-intensive technique will require less fixed assets.

Capital-intensive organisation ⇒ Higher investment in fixed assets

Labour-intensive organisation ⇒ Lower investment in fixed assets

- iii. **Technology upgradation:** Due to changes in technology or it becoming obsolete over time, companies require a large amount of investment in fixed capital. For example, certain machinery becomes obsolete very soon compared to other assets such as furniture. Therefore, a larger fixed capital is required for upgradation.

Faster upgradation ⇒ Higher investment in fixed assets

Slower upgradation ⇒ Lower investment in fixed assets

- iv. **Financing alternatives:**

If leasing facilities are available without any lengthy procedures in the financial market, then the fixed capital requirements will be less.

Non-availability of financing alternatives ⇒ More fixed capital

Availability of financing alternatives ⇒ Less fixed capital

Answer 25

The principles and technique of scientific management followed by the Production Manager in the above case:

- i. **Method study:** One must determine the best way of doing a particular task. The method so determined must aim at minimising the cost and maximising the quality. One of the popular examples of this study is the assembly line production used by Ford Motors.

Quote 1: He believed that there was only one best method to maximise efficiency. The Production Manager developed this method using several parameters right from deciding the sequence of operations, place for men, machines and raw materials till the delivery of the product to customers.

- ii. **Science, Not Rule of Thumb:** According to Taylor, instead of rule of thumb, scientific management practices should be followed. Under rule of thumb, a trial and error method is used wherein each manager handles a situation in his own manner as and when it arises. According to Taylor, scientific management practices should be used. The best method of doing a task which would maximise efficiency should be developed. It would then replace the rule of thumb method. This would help in reducing the cost and improving efficiency.

Quote 2: He observed that the methods of production as well as selection of employees in the company were not scientific.

- iii. **Development of workers to their greatest efficiency and prosperity:** According to Taylor, the overall efficiency and productivity in an organisation depends on how competent the individual employees are. Accordingly, to improve the overall productivity and efficiency, the working capabilities of employees must be improved. For this, they



must be given proper training and education.

Quote 3: He also felt that once the method is developed, the workers of the company should be trained to learn that 'best method'.