

# Class-XII

## Business Studies(054)



1. c) A - (iii), B - (i), C - (ii)
2. b) systematised body of knowledge.
3. b) Responsibility
4. d) Growth
5. d) Business cycle.
6. b) Primary market.
7. c) Safety.
8. a) Detailed plans of action prepared under financial planning increase waste, duplication of efforts and gaps in planning.
9. d) gathering and analysing market information.
10. c) Brand mark.
11. b) Order Processing.
12. b) Public relations.
13. b) Coordination is an all pervasive function.
7. d) (i) and (v)
1. d) controlling.
- d) Both the statements are true.
- b) Assignment of duties

18. b) Place ✓  
19. d) Organising ✓  
20. c) Order ✓

21. The process by which the attitudes, skills and abilities of employees to perform specific jobs are increased is training.

Advantages of training to the organisation:

(i) Reduce wastage of efforts:

20' Training is a systematic learning process because of which the wastage of efforts, cost in trial and error approach method can be reduced.

(ii) Increase in productivity and profits:

Training helps the employees to work more productively because of which the profits of the organisation are increased.

(iii) It equips the future managers:

Training equips the employees with various skills and knowledge which will help them to take up the leading positions in the future or in case of any emergency.

ii) Adaptable to a fast changing environment:

It helps in adapting to the fast changing environment, both technologically and economic.

22. a(i) The process of holding shares in electronic form is called 'dematerialisation.'

(ii) Two participants of Money market are:

↳ Reserve Bank of India.

↳ Commercial Banks.

↳ Business firms.

iii) The depositories that hold securities in electronic form are,

↳ National Securities Depository Limited (NSDL)

↳ Central Depositories Service Limited (CDSL)

23. The two concepts of management discussed above are 'efficiency' and 'effectiveness.'

Efficiency:

→ It is a concept of management that states that the target of the firm should be achieved at minimum costs.

→ It involves a cost benefit analysis.

→ Example: As stated in the above paragraph, Hitesh was able to achieve the order but at a higher cost of production so, here he was able to produce the same output but at a higher cost. So, Hitesh was not efficient.

Effective:

→ It is a concept of management that is concerned with the end result.

→ It is concerned with completing the task on right time.

Example: As stated in above paragraph, Hitesh was able to achieve his target of supply 10,000 garments on right time, that is within two days. So, Hitesh was effective.

24. a) Importance of controlling:

i) Accomplishment of organisational goals:

→ Controlling ensures that the activities are performed as per the plan.

→ It measures the progress of the activities

brings to light any deviation and also find the corrective action to be taken.

→ By doing this, it helps in keeping the performance of activities on track and will able to accomplish organisational goals.

(ii) Improving employee motivation:

→ A good Controlling system ensures that standards set in advance are well known to the employees

→ So, the employees know the standards on the basis of which their performance will be appraised or given rewards.

→ So, the standards act as a motivation to the employees and enable <sup>them</sup> to work more productively.

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a) The incentive offered by the company is co-partnership or also called as stock option in which the organisation offers the employees shares at a price less than market price. This can be adopted in line with various incentives and this will create in the minds of employees a sense of ownership and motivate them to work harder for the growth of the organisation.

It is a monetary incentive [Incentives that are in monetary terms or

measured in monetary terms]

b) Two other examples of monetary incentive are,

→ Bonus : It is an incentive which is offered over and above the wages or salary.

→ Pay and allowances : It is an incentive which is given to meet their basic needs like the salary. It includes basic pay, dearness allowances and other allowances. There may be a hike or increment in the salary as per the policies.

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96. a) Recruitment :

It refers to process of searching for the prospective candidates and stimulating them to apply for the jobs.

Its objective is to create a pool of prospective candidates.

b) Workload analysis :

It refers to the analysis that reveal the number and type of personnel necessary for the performance of various jobs.

[It is for the future requirement].

(It comes under estimating the man power requirements)

c) Orientation :

Under the step of placement and orientation, it is the orientation process.

Joining a job marks the beginning of socialisation process.  
Orientation, is introducing the selected employees to other employees, colleagues and familiarising him with the rules and regulations, policies of the organisation.

This has a lasting impact on his decision to stay and his performance in the organisation.

d) Selection :

This process involves selecting the best candidate out of the pool of prospective candidates that have been raised in the recruitment process.

The process of selection involves a rigorous procedure in order to attain two objective, one, to get the best out of all the candidates and to increase the self esteem of the employee selected and communicating or showing him the seriousness of which the things are done in the organisation.





27. a) The barrier to communication is 'premature evaluation' and the category of barrier is 'psychological barriers'

b) Two other communication barriers of psychological barriers category are,

(i) lack of attention:

When the person involved in the process of communication are occupied with some other thought, that is when their mind is filled <sup>or preoccupied</sup> with some other thoughts, he may not understand what the other person is trying to communicate.

(ii) Loss by transmission or poor retention:

When the message pass various levels of communication, there are chances that it may get distorted.

And no person can retain the message for a long time if that person is not attentive or interested in listening to the message.

(iii) Distrust:

When two parties of communication don't believe each other, then they may not understand what the other person is

trying to communicate.

$\frac{14}{100} \times 2,00,000 = 28,000$   
 $ROI = \frac{2,00,000 - 28,000}{1,00,000}$   
 $14\% - 28\%$   
 debt 400,000

28.

EBIT - EPS analysis

Particulars	Amount
EBIT	2,00,000
(-) Interest <sup>at</sup> (@ 14%)	56,000
EBT	144,000
(-) Tax rate at 50%	72,000
EAT	72,000
Number of shares	10,000
EPS [EAT ÷ No. of shares]	7.2

10,000 x 60  
 Equ. 60,000  
 KBIT 200,000  
 -I 56,000  
 EBT 144,000  
 -T 72,000  
 EAT 72,000  
 No. 10,000  
 EPS  
 $\frac{72,000}{10,000} = 7.2$

a) Return on Investment =  $\frac{\text{Earnings Before Interest, Tax (EBIT)}}{\text{Capital Employed}} \times 100$   
 (ROI)

Return on Investment (ROI) =  $\frac{2,00,000}{1,00,000} \times 100$   
 = 20%

Earning per share = 7.2

$\frac{14}{100} \times 2,00,000 = 28,000$   
 $\frac{2,00,000 - 28,000}{1,00,000}$   
 $14\% - 28\%$   
 $\frac{72,000}{10,000} = 7.2$

b) Return on Investment  $>$  Rate of Interest

$$20\% > 14\%$$

It represents a situation of favourable financial leverage. The ~~return~~ return on investment is greater than rate of interest (20%  $>$  14%). So the company can extend debt, that is, it can choose trading on equity.

29. a) Fixed capital refers to investment in long term assets.

~~Two~~ The factors affecting fixed capital requirements are,

(i) Choice of technique:

↳ If the firm is a capital intensive one, then the company needs more of fixed capital as it needs to invest in more number of long term assets.

↳ If the firm is labour intensive, that is, if it depends more on manual work than machines, then it need less working <sup>fixed</sup> capital as there is no need to invest more in long term assets.

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(ii) Technology upgradation:

↳ If the firm uses more of machinery which is prone to quicker obsolescence, then it needs more fixed capital in order to upgrade it from time to time in order to keep up with the technological improvements.

↳ For example, computers are more prone to obsolescence when there is a rapid advancement in technology, so the companies that use computers as one of the important equipment in their functioning will require more fixed capital than the ones with machineries.

30. a) Importance of consumer protection from the point of view of business.

(i) → Long term interest of the business:

→ Enlightened businesses are aware that it is in their long term interest to serve the consumers.

→ They produce good quality of goods and better services and take care of the consumers (by protecting them from unfair trade practices) will be able to procure <sup>have</sup> repeated sales and it'll help them in building the strong customer base. So, the business that has consumer satisfaction as its focal point will be able to achieve its objectives.

(ii) → Social Responsibility :

→ It is the social responsibility of all the business to take care of the interests of various stakeholders.

→ Business firms earn money by selling and providing goods and services to the public. So, the public is one of the major stakeholder and the businesses has to take care of its interest.

(iii) → Business uses society's resources :

→ Business make use of the society's resources. So, it is very important to provide goods of public interest.

→ And the business <sup>must</sup> ensure that the activities of business should not impair the public confidence in them.

(iv) → Moral justification :

→ It is the moral duty of any business to take care and protect the interest of the consumers.

→ It must make sure that it avoids all type of unfair, unscrupulous, exploitative trade practices and provide only

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good quality products to them so that they are safe from defective products, adulterated products that cause health problems and price rigging and other unfair trade practices.

31. a) Principles of management.

(i) Division of work:

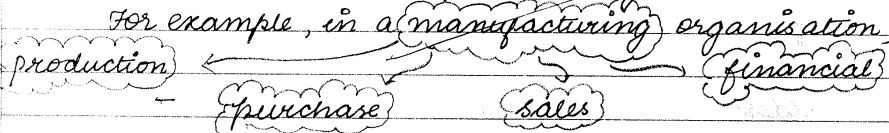
→ This principle states that the work should be divided into small tasks or jobs.

→ And a specialist must be appointed to perform all the tasks who are trained and have a very good knowledge about the task.

→ This principle leads to specialisation.

→ Its objective is to ensure maximum utilisation of human and material resources to their fullest advantage in order to increase the efficiency.

→ This will result in reduction of burden, duplication of work and increase in productivity.



these departments or works can be divided and each headed by a

specialist to increase productivity.

ii) Remuneration of employees:

→ The remuneration, that is the wages or salary for their contribution in the functioning of the organisation must be just and fair.

→ So, for the employees, the remuneration provided should be able to give them a decent standard of living.

→ And, for the organisation, it should be within the paying capacity of the firm.

→ A good, fair remuneration will also help in maintaining good cordial relations between employer and the employees and also maintaining a good working atmosphere in which the productivity can be increased.

iii) Subordination of individual interest to general interest:

→ An organisation has number of individual employees, stakeholders like the investors, suppliers, workers, etc.

→ And also, the individuals working in the

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organisation have their own objectives, interests for joining the business and have various opinions, for example, one employee may join for a good salary, one may want promotion and other personal objectives.

→ But at all the situations, the interest, goal, objective of the organisation should supersede the individual interest as the large interest of various stakeholders cannot be sacrificed for an individual's interest.

→ At every situation, the organisation must prioritise its organisation objective.

→ This can be ensured by the ~~em~~ exemplary behaviour of superior.

→ This will include the superior not giving any advantage or use his power for his own or family benefit.

→ This will raise his/her stature in the eyes of the workers and ensure the same in return.

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(a) The function of management is 'Planning'.

(b) Importance of Planning:

(i) Planning establishes standards for controlling:

↳ Planning involves sitting up of objectives or the stand in the first step.



- ↳ These objectives act or serve as the standards for controlling.
- ↳ If there are no standards set in advance, then there would be nothing to monitor or control.
- ↳ So, planning is a prerequisite for controlling.
- ↳ controlling ensures that activities are as per the plans.
- ↳ So, controlling is blind without planning.

### iii) Planning facilitates decision making:

- ↳ Planning involves decision making.
- ↳ Planning involves future assumptions, forecasts and on the basis of these, planning involves decision making regarding the selection of an alternatives available.
- ↳ Planning is important and very much necessary when there are various alternatives available at present and it becomes useful <sup>only</sup> when alternatives are available.
- ↳ Planning presupposes the existence of certain alternatives.

(iii) Planning reduces the risk of uncertainties:

↳ Planning involves peering into the future, analysing and taking present decisions.

↳ So, it will help the managers to foresee the uncertainties in the future.

↳ Though the uncertainties or changes cannot be eliminated, they can be anticipated and managerial response to them can be developed.

(iv) Planning provides direction:

↳ Planning involves setting up of objectives and deciding the actions that has to be taken to achieve it.

↳ When the goals are clearly stated to the employees, it provides direction for their activities and helps in achieving the objective.

↳ If the employees are not aware of the objective, then they may all work in different directions and the organisation won't be able to achieve its objective.

(v) Planning reduces and helps in avoiding overlapping and wasteful activities:

↳ Planning serve as the basis for coordinating various activities of the organisation.

↳ It ensures clarity in thought and action.

↳ So, all the departments can work productively and avoid overlapping of activities.

↳ This also ensures that wastages are minimised, no duplication of work.

33. (a) societal marketing<sup>concept</sup> is involved in the above case.

↳ This states both customer satisfaction and social aspects must be given importance to increase the sales.

↳ This is an extension of marketing concept.

↳ The activities that are satisfying customer wants but prove to be detrimental to the society, <sup>at large</sup> cannot be justified.

↳ So, along with the customer needs, social, ethical and ecological aspects should be taken care of.

(b) The communication tool used by the company is 'Public relations'.

↳ This includes all the activities that are undertaken to protect and promote the interest of the company and the product by maintaining good relations with the public.

↳ This is mainly useful to protect the name of the company and during product launch.

↳ Here the X Ltd, company is imperative to maintain good public relations.

↳ The components of public relations are press relations, product promotion, lobbying, corporate communication and counselling.

(c) The other promotional tools that can be used are:

(i) Advertising:

→ It is a impersonal, paid form of communication to reach a large number of people and delivers a standardised message.  
→ The advertising can be done through television, newspapers etc.

(ii) Sales promotion:

→ This involves the incentives which are given for a

short term to persuade customers to make immediate purchase.  
 Examples: Discount, Rebate, Refund etc.

34. (a) The organisational structure of 'Sweets and More' is Divisional structure.

(b) Advantages of Divisional structure:

(i) Product specialisation:

It leads to product specialisation as all the activities are concerned with one product. It leads to improvement in the particular product.

(ii) Training of managers employees for higher positions.

It equips the future managers as the employees get trained in various skills and jobs. So, it increases their chance of being promoted to the higher levels.

(iii) Flexible and initiative.

(iii) Helps in growth:

This structure helps in adding various

other departments to the organisation without disturbing the other departments or the existing structure.

The advantages discussed in the paragraph were, 'cost-accountability' <sup>cost-</sup> and 'flexibility and initiative' <sup>centres</sup> (own decisions as each of it is multifunctional, can be taken).  
Disadvantages of Divisional structure are,

i) Conflicts between departments:

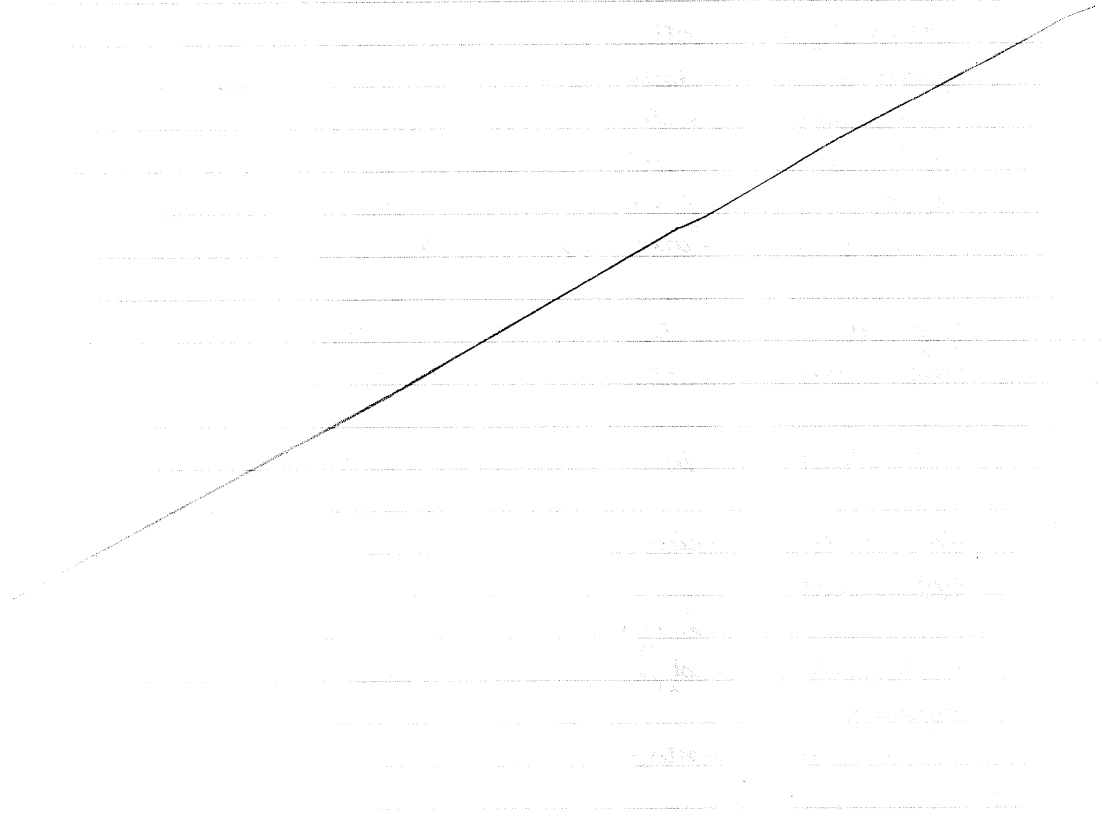
Conflicts may arise in respect to allocation of funds to each departments. Each departments may try to outdo the other departments because of their own departmental objective.

ii) Misuse their power:

In a course of time, the managers may be trained and specialised in all the functions relating to a particular department.

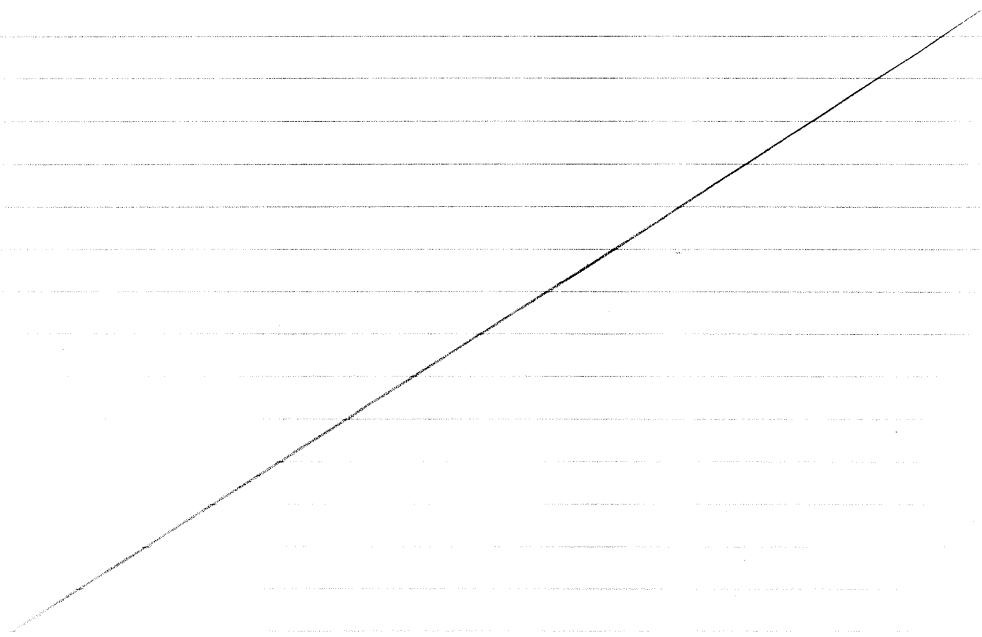
So, in order to outdo the <sup>other</sup> departments, he may assert his independence and <sup>as he gained</sup> powers in order to achieve its own departmental objective.

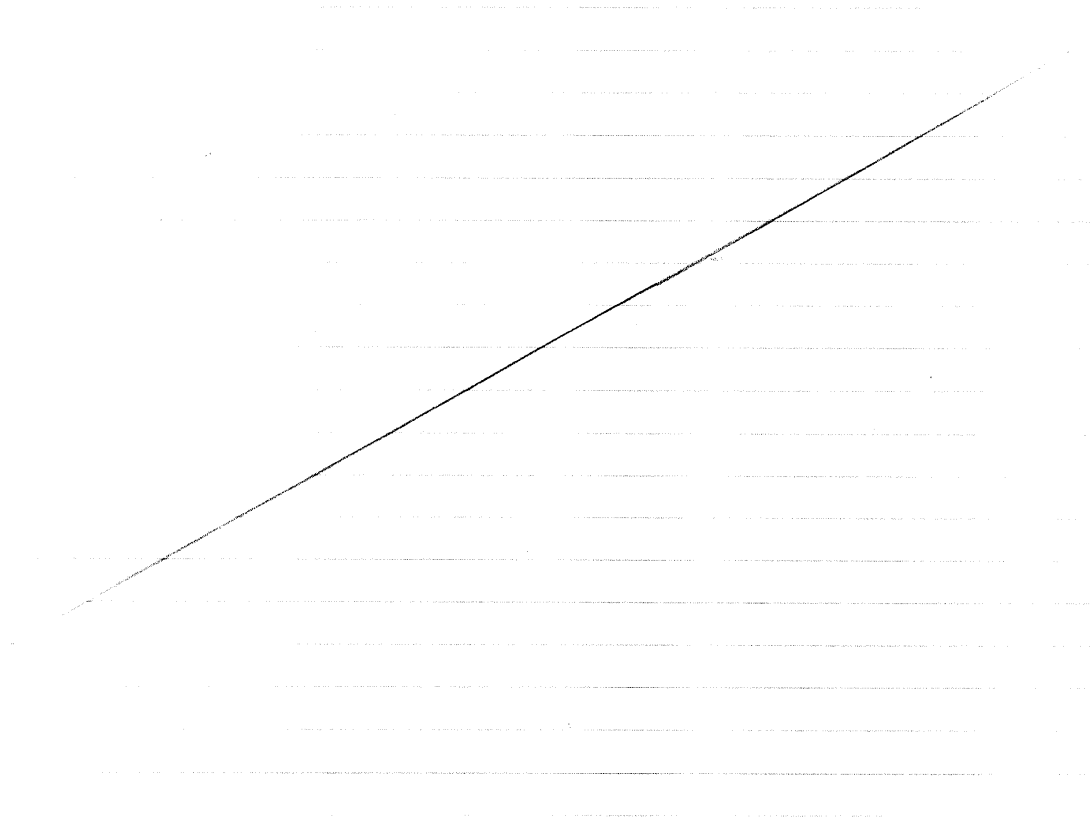
The disadvantage discussed above are 'increase in cost'.

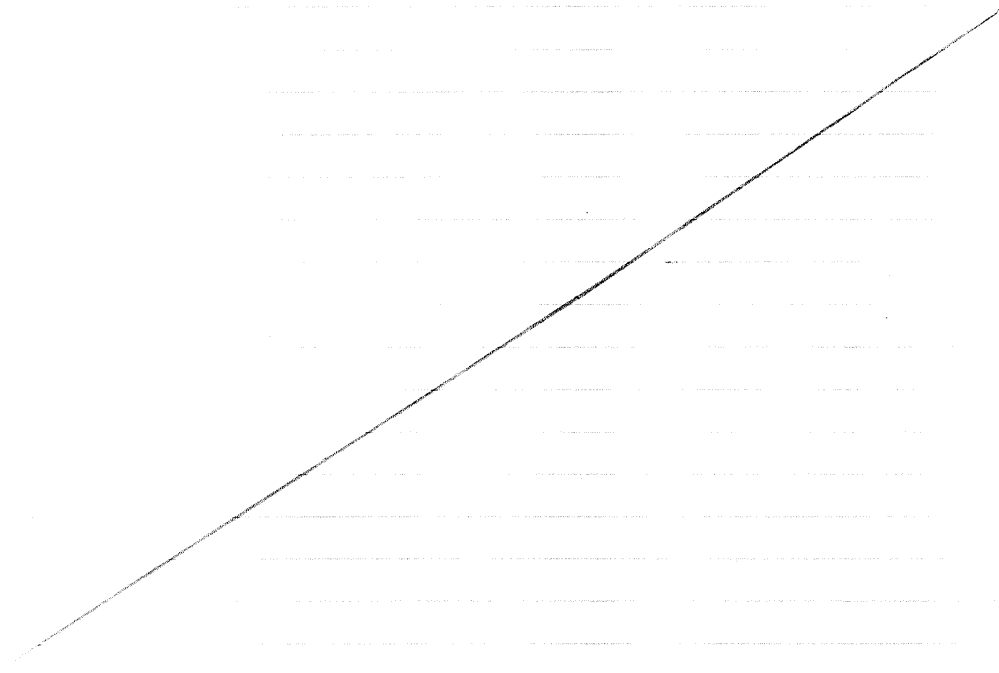


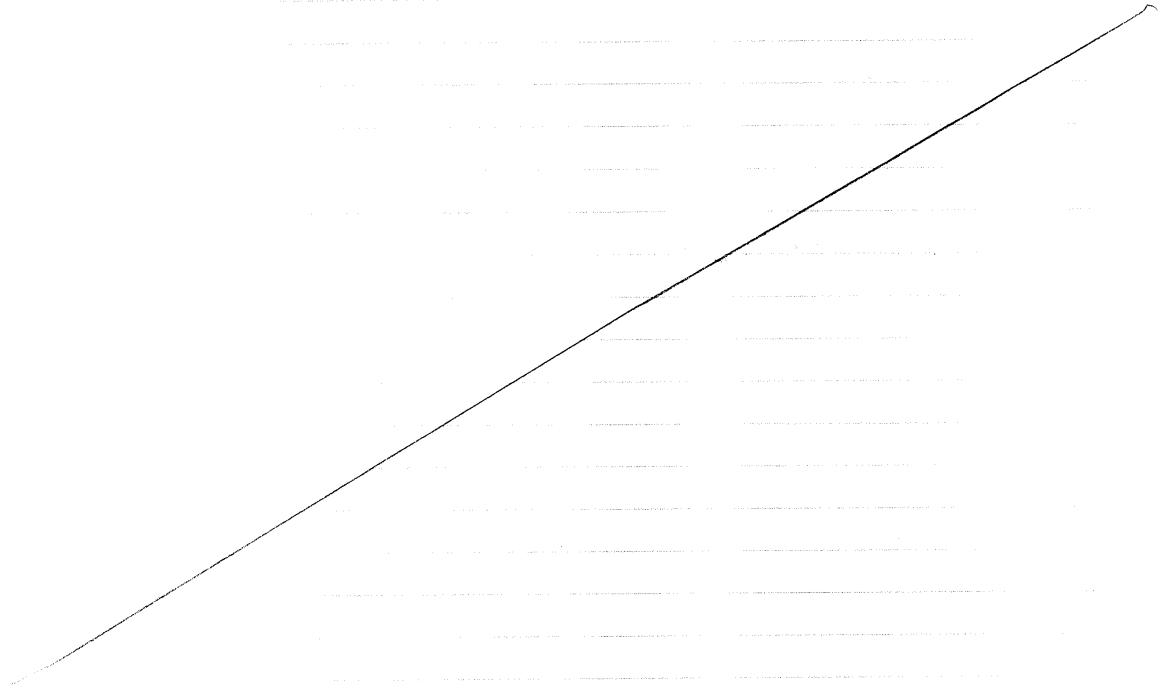




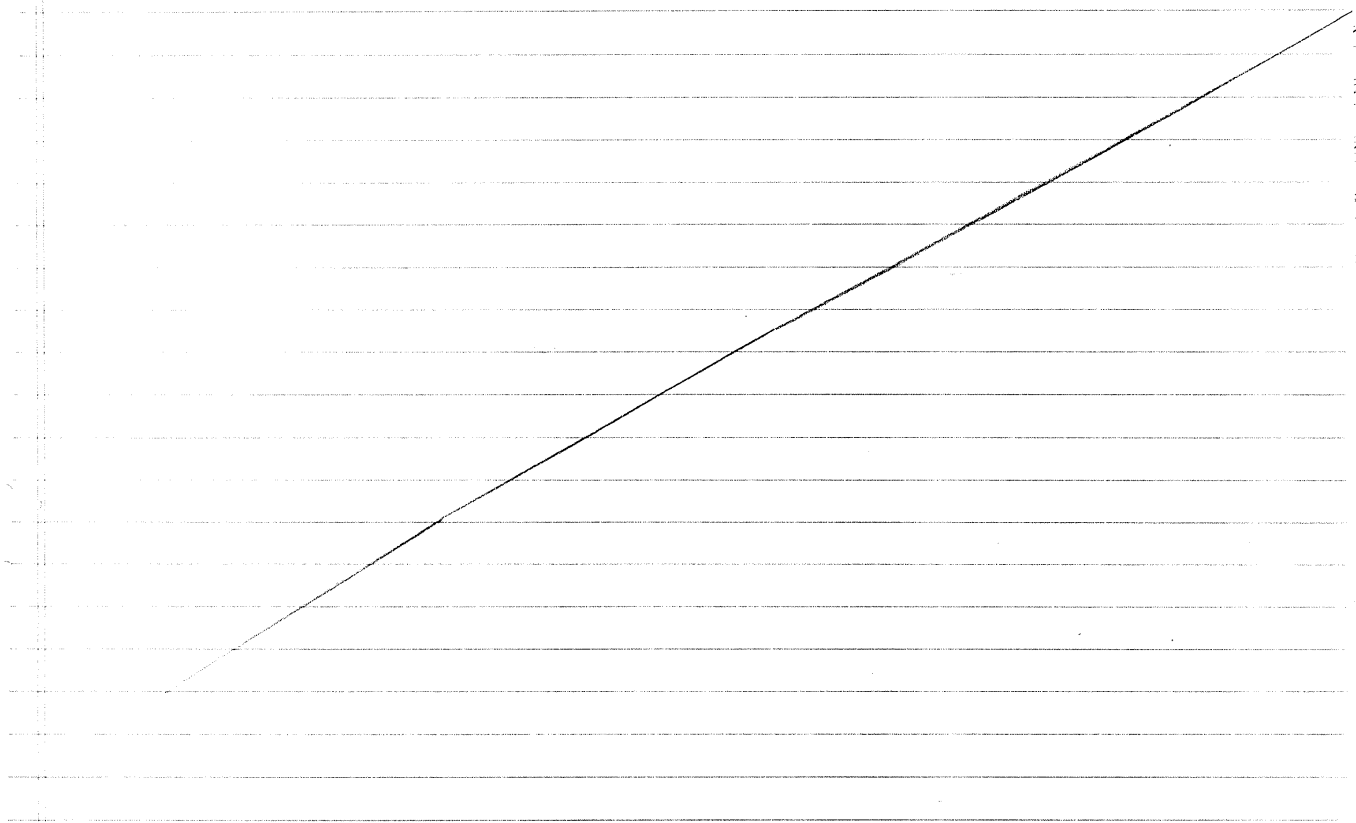












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