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Marking Scheme BUSINESS STUDIES PRACTICE PAPER-4 CLASS-XII

2020-2021

- 1 C. Decentralization
- 2 D. All the above.
- 3 B. Personalized Application.
- 4 B. Technological Environment.
- 5 B. All pervasive
- 6 B. Interrelatedness
- 7 D. Taxation policy
- 8 C. Coordination is a continuous process
- 9 B. Organising
- 10 C. Critical point control
- 11 B. Decentralization or B. Motion Study.
- 12 C. iii,ii,i or B. Product Designing
- 13 D. Offer through prospectus
- 14 B. Private placement
- 15 C. Both a & b
- 16 D. ₹1,000 crores
- 17 A. Brand value
- 18 A. Marketing methods used
- 19 D. Promotion Mix.
- 20 B. Public Relation Department.

21.	Ashutosh Goenka was working at top level of management. The two functions being performed by him at this level are outlined below: 1. He is responsible for formulating the overall organizational goals and strategies. 2. He is responsible for all the business activities and its impact on	3
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	society.	
22.	<ol style="list-style-type: none">1. The supervisor may provide Vestibule training to the workers in order to enable them handle their work independently. Vestibule training is a popular method for providing off the job training during which the trainees learn their jobs on the equipment they will be using at their actual work place. This is usually done when employees are required to handle sophisticated machinery and equipment.2. The benefits of imparting training to the employee are as follows:<ul style="list-style-type: none">• Better career: Training leads to better career opportunities for the employees as it helps to improve their skills and knowledge of doing the job.• Increased earnings: Training leads to increased performance by the employees thereby helps them to earn more	3
23.	<ol style="list-style-type: none">1. The controlling function of management is needed to rectify the above situation.2. The procedure to be followed so that the actual production may come up with the target production is as follows:<ul style="list-style-type: none">• Providing training to workers if the workers are not well versed with the production process.• Improving the work environment if it is not conducive to efficient working.• Ensuring timely availability of the raw materials and other equipments if they are not made available on time.• Replacing the machinery if it is defective or has become obsolete.<p style="text-align: center;">OR</p><p>Planning precedes controlling and controlling succeeds planning. Thus, planning and controlling are interrelated and reinforce each other because:</p><ul style="list-style-type: none">• Planning is based on facts and makes controlling process easier and adds to the effectiveness.• Controlling also adds to the effectiveness of planning process by providing valuable feedback based on past experiences.	3

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24.	<p>The three features of money market are described below:</p> <ul style="list-style-type: none">• It is a market for short term funds whose maturity period is up to one year.• The main participants are institutional investors.• Since the cost of securities may be high, investment in the money market requires huge capital outlay. <p>OR</p> <p>Commercial Papers may be used by Squib Ltd. as it is a popular short term instrument which is issued by large and credit worthy companies. The instrument is an unsecured promissory note and is freely transferable by endorsement. Its maturity period may range from a fortnight to a year. It is sold at discount and redeemed at par.</p>	3
25.	<p>The next three steps that they will have to undertake for obtaining a satisfied workforce for their handicraft unit are as follows:</p> <ul style="list-style-type: none">• Recruitment: Recruitment may be defined as the process of searching for prospective employees and stimulating them to apply for jobs in the organisation.• Selection: Selection is the process of choosing the best candidate from a pool of applicants.• Placement and Orientation: Placement refers to the process of giving the charge of the job for which the employees have been appointed. Orientation may involve a series of activities related to introducing the new employee to other employees and familiarizing him with the rules and policies of the organisation. Moreover, he is taken around the workplace and made aware of the fire safety policy, canteen, conference room etc.	4
26.	<ol style="list-style-type: none">1. The democratic style of leadership is adopted by Yash. A democratic leader encourages his subordinates to participate in the process of decision making. Thereby, the manager is able to motivate his subordinates to perform their best, as they themselves have set the goals. “A sales target is pre-determined for each month which is mutually agreed by both Yash and his sales team.”2. Employee participation is the type of non-financial incentive that is being offered to the salesmen by seeking their involvement in	4

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	deciding the monthly targets of the firm.	
27.	<p>1. Informal communication: “One of his colleagues sent a text message to his superior, Mr. B. Chatterjee. Mr. B. Chatterjee immediately sent a text message to the employees of the organisation requesting them to donate blood for Prateek.”</p> <p>Formal communication: “When the general manger came to know about it, he ordered for fumigation in the company premises and cleaning surroundings.”</p> <p>2. The features of informal communication are as follows:</p> <ul style="list-style-type: none"> • The grapevine/ informal communication spread very fast and sometimes get distorted. • It is very difficult to detect the source of such communication. <p style="text-align: center;">OR</p> <p>The CEO Alfa Ltd. has used Motivation, which is an element of directing function of management in order to deal with the situation effectively.</p> <p>The features of motivation are explained below:</p> <ul style="list-style-type: none"> • Motivation is an internal feeling: An urge, drives, or needs of human being, which are internal, but likely to influence human behavior. • Motivation produces goal directed behavior: A motivated employees is likely to act in a desired manner and contribute effectively. • Motivation can be either positive or negative: Positive motivation can be provided through rewards like increase in pay, promotion, recognition etc. Negative motivation involves use of negative means like punishment, stopping increments, threatening etc. which also may prompt a person to act in the desired way. 	4
28	<p>a) Stability of dividends: Normally, companies follow a stable dividend policy as it resolves uncertainty in the minds of investors. Dividend per share Is not altered if the change in earnings is small or seen temporary in nature.</p> <p>b) Cash flow position: Payment of dividend requires payment through cash.</p>	<p>(1×4)</p> <p>(1/2 mark for the heading and</p>

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	<p>A good cash flow position is necessary for declaration of dividend. The company must have sufficient cash available with it to pay dividend. If the company has liquidity problem, it may decide to skip dividend for a year.</p> <p>c) Shareholders preference: While declaring dividends, managements usually keep in mind the preferences of the shareholders in this regard. If the shareholders in general desire that at least a certain amount is paid as dividend, the companies are likely to declare the same. There are always some shareholders who depend upon a regular income from their investments.</p> <p>d) Growth opportunities: Retained earnings is a sources of finance. If a company has good growth opportunities, it pays out less dividend. Retention of profit is a source of financing. When a company needs funds for growth and expansion, it will retain more profits and distribute less dividend.</p> <p style="text-align: center;">Or</p> <p>a) Choice of technique: If an organisation adopts a capital intensive technique of production, it will require higher investment in plant and machinery as compared to an organization which adopts a labour intensive technique.</p> <p>b) Level of collaboration - If some business organisations share each other's facilities, these organisations will require lesser fixed capital. If there is no collaboration, an organisation will require more fixed capital to run its business smoothly.</p> <p>c) Diversification - More fixed capital will be required in case of companies which have diversity of production lines as compared to companies which do not have much of diversification.</p> <p>d) Nature of business - A trading concern needs lower fixed capital since it does not require to purchase plant and machinery etc. A manufacturing concern would require heavy investment in fixed assets to purchase plant and machinery etc.</p>	<p>1/2 marks for the explanation)</p>
<p>29</p>	<p>Financial planning means the preparation of a financial blueprint of an organisation's future operations. In other words, financial planning means a process of estimating the fund requirements of a business and specifying the sources of funds.</p> <p>Importance of financial planning(any three)</p> <p>(i) Preparation for future - Financial planning tries to forecast what may happen in future under different business situations. Financial planning makes the company better prepared to face the future. In this way, business enterprise is saved of the problems of surplus or shortage of funds.</p> <p>(ii) Coordination - Financial plans ensure coordination between different functional areas in the business. Funds can thereby be allotted for</p>	<p>(1+3)</p> <p>(1/2 mark for the heading and 1/2 marks for the explanation)</p>

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	<p>various activities in accordance with the relative importance. This ensures coordination between different functional areas and eliminates wastage of resources.</p> <p>(iii) Meeting future challenges - Financial planning helps in avoiding business shocks and surprises. Financial plans keep a provision for contingencies which may occur in the future. In this way, financial planning helps the company in preparing for the future.</p> <p>(iv) Lesser waste - Financial planning helps the financial managers in controlling the utilisation of funds according to a plan. This results in reduction of waste, duplication of efforts and gaps in planning</p> <p>(v) Linking present with the future - Financial planning tries to forecast current and future requirements of the capital. In this way, a business enterprise is in a position to ascertain the optimum funds needed by it. In this way, business enterprise is saved of the problems of surplus or shortage of funds.</p> <p>(vi) Evaluation of actual performance - Financial planning aims to achieve the financial objective of the enterprise by spelling out detailed objectives for various segments. By communicating financial plan to all managers, we can evaluate the actual performance of managers easily.</p>	
30	<p>Responsibilities of consumers (any four)</p> <p>(1) Wise choice - A consumer should make an intelligent and wise choice of goods and services. For this he should be aware about various goods and services available in the market. A consumer must have all relevant information before making the purchase. He should not depend entirely on the seller. He should verify the quality, quantity, utility, price, etc. of products and services.</p> <p>(2) Standardised Goods - A consumer should be quality conscious and should buy only standardised goods as they provide quality assurance. A consumer should look at standard quality certification such as ISI mark on electrical goods, FPO mark on packaged food products, Hallmark on jewellery etc.</p> <p>(3) Risks - A consumer should be aware of various risks associated with products and services. He should follow manufacturer's instructions and read labels carefully.</p> <p>(4) Labels - A consumer should read the labels carefully before purchasing the products. Labels provide useful information about price, net weight, expiry date and precautions etc.</p> <p>(5) Redressal of grievances - Consumers should file complaints for the redressal of genuine grievances.</p> <p>(6) Environment - Consumers should respect the environment by using environmental friendly products and avoiding pollution.</p> <p>(7) Consumer societies — Consumers should form consumer societies to safeguard their interests.</p> <p>(8) Honesty - Consumers should be honest in their dealings. They should refuse to buy goods from black-market. They should discourage hoarding and</p>	<p>(1×4)</p> <p>(1/2 mark for the heading and 1/2 marks for the explanation)</p>

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	choose only legal as well as reasonable goods and services.	
31	<p>A) <u>Unity of command</u> : Unity of command implies that every worker or subordinate should receive orders from only one superior. It is meant for avoiding dual subordination or possible conflicts and confusions as orders from different superiors may undermine authority and discipline of the concerned superior responsible for a particular activity. For example, workers responsible for manufacturing pots and pans should receive orders from the production manager and not from the marketing manager of the company.</p> <p>B) <u>Stability of personnel</u> : Stability of personnel refers to retention of workers by removing the feeling of job insecurity for workers. Retaining workers should be the highest priority of management that provides security, increases productivity and reduces employee turnover. High rates of employee turnover are inefficient and should be avoided. For example, if a hard-working employee is dissatisfied with his/her monotonous job, she can be retained by providing a new position (or responsibility) in another department within the company that requires her to explore and advance her capabilities.</p> <p>C) <u>Division of Work</u> : According to this principle, "as far as possible the whole work should be divided into small parts and each individual should be assigned only the part of the work according to his ability and skills repeatedly so that the benefits of specialization may be achieved.</p>	2 2 2
32	<p>(i) "The Manager of200 crore" Setting Objectives</p> <p>(ii) "Also he ensured.....easily arranged". Developing premises</p> <p>(iii) "For this he thought of several options". Identifying alternative courses of action.</p> <p>(iv) "After deliberating over... ..concentrating more on Advertisement". Evaluating alternative courses. Selecting an alternative</p> <p>(v) "He did the same".</p>	1×6

	<p>Implementing the plan</p> <p>(vi) "He continuously results were being obtained". Follow up</p> <p style="text-align: center;">Or</p> <p>limitations of planning: (any four)</p> <p>(i) <u>Planning is an expensive process</u> - Planning depends on effective system of feedback, transmitting necessary data, collection and analysis of data and evaluation of various courses action. It results in heavy expenditure.</p> <p>(ii) <u>Planning is a time-consuming process</u> - Planning requires collection of information, its analysis and interpretation. These activities take considerable time and planning is not practicable when quick decisions are to be made.</p> <p>(iii) <u>Planning results in rigidity</u>- Planning implies prior determination of policies and procedures while business environment is dynamic. This prevents managers from taking initiatives and from doing innovative thinking. Blind conformity with predetermined rules and procedures promotes red tapism and delay in the performance of work.</p> <p>(iv) <u>Effectiveness of planning is limited due to dynamic factors</u> - External contingencies are beyond the control of planners and are very difficult to be forecasted. War, government control, natural havocs like flood, political climate, behaviors of trade unions, technological changes etc., affect the implementation.</p> <p>(v) <u>Planning reduces creativity</u> - Planning is an activity performed by the top management and rest of the people just implement the plans. As a result, lower level managers and workers lose much of their initiative and creativity to take decisions.</p> <p>(vi) <u>Planning does not guarantee success</u> — Planning may create false sense of security in the organisation to the effect that everything is well taken care of by the plans. Managers assume that as long as work goes on as per plans, it is satisfactory. As a result, they fail to take timely decisions in case situations change suddenly and make the existing plan less effective. It is also likely that employees may be concerned only with the fulfilment of plan requirements rather than improving their performance.</p>	<p>(1½x4)</p> <p>(½ mark for the heading and 1 mark for the explanation)</p>

33	<p>1. The step of organizing process which has not been carried out properly and contributed to this problem is Assignment of duties. Assignment of Duties: Once departments have been created each of them is placed under the charge of an individual and then jobs are allocated to the members as per their job positions.</p> <p>2. The two steps of the organizing process which have been taken by Akshay to respond to the complaint of Rohan are listed below:</p> <ul style="list-style-type: none">○ Assigning the duties○ Establishing reporting relationship. <p>3. The two points of importance of organizing as reflected in the above case are described below:</p> <ul style="list-style-type: none">○ Optimum utilization of resources: Organising ensures best possible use of all forms of resources i.e. physical, financial and human resource. It ensures systematic assignment of jobs thereby curbing overlapping of work and avoiding possibilities of duplication of work. This helps in preventing confusion and minimising the wastage of resources and efforts.○ Adaptation to change: The process of organising provides stability to the enterprise as it can then continue to survive and grow inspite of changes in the business environment. It enables the organisation structure to be suitably modified and the revision of inter-relationships amongst managerial levels to pave the way for a smooth transition.	(2+2+2)
34	<p>Product Designing and Development:</p> <p>Product designing plays an important role in product selling. The company whose product is better and attractively designed sells more than the product of a company whose design happens to be weak and unattractive.</p> <p>It is important to remember that it is not sufficient to prepare a design in respect of a product, but it is more important to develop it continuously.</p> <p>Standardisation and Grading:</p> <p>Standardisation refers to determining of standard regarding size, quality,</p>	(2+2+2)

<p>design, weight, colour, raw material to be used, etc., in respect of a particular product. By doing so, it is ascertained that the given product will have some peculiarities. This way, sale is made possible on the basis of samples. Mostly, it is the practice that the traders look at the samples and place purchase order for a large quantity of the product concerned. The basis of it is that goods supplied conform to the same standard as shown in the sample. Products having the same characteristics (or standard) are placed in a given category or grade. This placing is called grading.</p> <p>Packaging and Labelling:</p> <p>Packaging aims at avoiding breakage, damage, destruction, etc., of the goods during transit and storage. Packaging facilitates handling, lifting, conveying of the goods. Many a time, customers demand goods in different quantities. It necessitates special packaging. Packing material includes bottles, canister, plastic bags, tin or wooden boxes, jute bags etc. Label is a slip which is found on the product itself or on the package providing all the information regarding the product and its producer. This can either be in the form of a cover or a seal.</p> <p>Or</p> <ul style="list-style-type: none">(i) Production cost: The price should recover all costs viz. fixed costs, variable costs and semi- variable costs apart from obviously including a fair return for undertaking the marketing effort and risk.(ii) Utility and demand: While determining the price of any product, the utility provided by it and the intensity of demand should not be ignored. If a buyer is satisfied that the given product meets his/ her requirement, he would also be ready to pay the cost and reasonable margin to the producer.(iii) Extent of competition in the market: In case of monopoly, a firm can enjoy complete freedom in fixing prices. However, if it is facing competition, it should consider the prices charged by the competitors also.(iv) Government and legal regulations: Government plays an important role in regulating the prices. For example, Life Saving Drugs, etc.(v) Pricing objectives: Pricing objectives should be in accordance with the company objectives. Also, company/s objectives should be clear enough. In addition to profit maximization, pricing objectives may include (i) Obtaining market share leadership (ii) Surviving in a competitive market.	<p>(1×6)</p>
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	(vi) Marketing methods used: Pricing of products also gets affected by the elements of marketing such as amount spent on advertisement, type of packaging, discounting policies, credit or finance facilities etc. Read	
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