

Solved Paper 2018

BUSINESS STUDIES

Class-XII

Time : 3 Hours

Max. Marks : 80

General Instructions:

- (i) This question paper contains five sections – A, B, C, D and E.
- (ii) Section–A contains questions 1 to 8 carrying one mark each. Answer to these questions may be given in one word or a sentence.
- (iii) Section–B contains questions 9 to 13 carrying three marks each. Answers to these questions may be in about 50 to 75 words.
- (iv) Section–C contains questions 14 to 19 carrying four marks each. Answers to these questions may be in about 120 words.
- (v) Section–D contains questions 20 to 22 carrying five marks each. Answers to these questions may be in about 150 words.
- (vi) Section–E contains questions 23 to 25 carrying six marks each. Answers to these questions may be in about 200 words.
- (vii) There is no over-all-choice in the question paper, however an internal choice has been provided in 3 questions of one mark, 2 questions of three marks, 2 questions of four marks, 1 question of five marks and 1 question of six marks. You have to attempt only one of the choices in such questions.

Delhi Set I

Code No. 66/1/1,2,3

1. Define 'Decentralisation'. 1

Ans. Decentralisation refers to systematic delegation of authority through all the levels of management and in all the departments except that which can be exercised only at central points. [CBSE Marking Scheme, 2018] 1

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

Ans. Method is the prescribed way or manner in which a task has to be performed taking into consideration the objective of the organisation. [CBSE Marking Scheme, 2018] 1

3. Saurabh decided to start a chocolates manufacturing business. He set the 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

Ans. Two steps of Planning which have been followed by Saurabh are :

- (i) Setting objectives.
- (ii) Developing Premises.

[CBSE Marking Scheme, 2018] $\frac{1}{2} + \frac{1}{2} = 1$

4. 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

Ans. Availability of Raw Materials/ Production Cycle/ Nature of business.

[CBSE Marking Scheme, 2018] 1

5. 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

Ans. The investor could not invest in the Treasury Bills as they can be issued for a minimum amount of ₹ 25,000 and its multiples thereof.

[CBSE Marking Scheme, 2018] 1

6. Why is the understanding of 'Marketing Management Philosophies' important? 1

Ans. Understanding of 'Marketing Management Philosophies' is important as it determines the emphasis or the weightage to be put on different factors, in achieving the organisational objectives.

OR

Understanding of 'Marketing Management Philosophies' is important to guide the marketing efforts of an organisation whether to emphasize on designing the features or selling techniques or on customers needs or the social concerns in achieving the objectives.

[CBSE Marking Scheme, 2018] 1

- * 7. Give the constitution of the District Consumer Disputes Redressal Forum under the Consumer Protection Act, 1986. 1
- * 8. '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

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

Ans. Difference between Formal and Informal organisation:

	Formal Organisation	Informal Organisation
(i) Origin	It is deliberately created through a well defined policy of management .	It arises as a result of social interaction among employees.
(ii) Authority	Authority arises on the basis of position of management.	Authority arises on the basis of personal qualities.
(iii) Flow of Communication	Communication takes place through scalar chain.	Communication does not take place through a planned route, it can take place in any direction.

[CBSE Marking Scheme, 2018] 1×3=3

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

Ans. Steps in the Selection procedure, after the employment interview and before the job offer are:

- Reference and background** checks for the purpose of verifying the information and gaining additional information.
- Selection decision** from among the candidates who pass the tests, interviews and reference checks.
- Medical Examination** which includes a medical fitness test which the candidate is required to undergo.
(½ mark should be deducted if the sequence is not followed)

[CBSE Marking Scheme, 2018] 1×3=3

11. 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.
- 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.
 - State two positive aspects of the communication discussed above, which Sandhya is using as an intelligent manager. 3

Ans. (a) Democratic style.

(b) Two positive aspects of communication which Sandhya is using as an intelligent manager are :

- It carries information rapidly and therefore may be useful to the manager at times.
- It is used by the manager to transmit information so as to know the reaction of his/her subordinates.

[CBSE Marking Scheme, 2018] 1+2=3

12. 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 reason in support of your answer. Also state the concept being used in taking the decision. 3

Ans. Option 'A' is better.

This is because in this option, Return on Investment (10 -12%) is higher than the rate of interest (9%).

The concept being used in taking the decision is Trading on Equity.

Trading on equity refers to the use of fixed cost sources of finance such as preference shares, debentures and long - term loans in the capital structure so as to increase the return on equity shares.

[CBSE Marking Scheme, 2018] 3

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

Ans. Importance of Consumer protection from the point of view of business: (Any two)

- (i) Long-term interests of business
- (ii) Business uses society's resources
- (iii) Social Responsibility
- (iv) Moral Justification.
- (v) Government Intervention

(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)

[CBSE Marking Scheme, 2018] $1\frac{1}{2} \times 2 = 3$

Detailed Answer :

Importance from business point of view:

(Any two)

- (a) **Use of Social Resources:** A business uses social resources of various types. Therefore, it is bound to serve the society by using its resources through adoption of fair trade practices which ensures consumer protection.
 - (b) **Social Responsibility:** Social responsibility is a business objective along with other objectives. Since consumer are part of the society, consumer protection becomes an objective of a business.
 - (c) **Moral Justification:** Moral justification involves adoption of moral principles in conducting business affairs. Thus, a business is required to adopt consumer protection measures on moral ground.
 - (d) **Emergence of Consumer Movement:** In order to protect the interest of consumers, consumer movement has emerged. This movement puts pressure on business to adopt consumer protection measures.
 - (e) **Government Intervention:** Government intervention involves using power by the Government to enforce adoption of consumer protection measures and taking actions against erring business.
14. Aradhana and Gandharv are heads of two different departments in 'Yumco Ltd.' They are efficient managers and are able to motivate the employees 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

Ans. Functional Structure is the organisational structure adopted by 'Yumco Ltd.'

Advantages of Functional Structure :

(Any three)

- (i) It leads to occupational specialisation since emphasis is placed on specific functions.
- (ii) It promotes control and coordination within a department because of similarity in the tasks being performed.
- (iii) It increases managerial and operational efficiency.
- (iv) It lowers cost as it reduces duplication of effort.
- (v) It makes training of employees easier as it focuses on a limited range of skills.
- (vi) It ensures that different functions get due attention.

(If an examinee has given only the heading, $\frac{1}{2}$ mark for each heading should be awarded)

[CBSE Marking Scheme, 2018] $1+3=4$

15. 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 tilling 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 the 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 alternatives were examined and evaluated. He presented 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

Ans. Features of planning are :

(i) **Planning focuses on achieving objectives:** Line-*'He set out specific goals along with the activities to be performed to achieve the goals.'*

Planning focuses on achieving objectives as specific goals set out in the plans along with activities to be undertaken to achieve the goals.

(ii) **Planning is futuristic :** Line-*'He wanted to ensure that the future events meet effectively the best interests of the company.'*

OR

'Through sales forecasting, he prepared an annual plan for production and sales'

Planning is futuristic as it involves looking ahead and preparing for the future.

(iii) **Planning involves decision making :** Line-*'He not only identified but evaluated various alternatives through which the farms could be utilised for the remaining months of the year.'*

OR

'... all alternatives were examined and evaluated.'

Planning involves decision making as it involves a choice from among the various alternative courses of action.

(iv) **Planning is a mental exercise :** Line-*'Through correct foresight and logical and systematic thinking based on analysis of all facts...'*

Planning is a mental exercise as it is intellectual activity of thinking rather than doing.

[CBSE Marking Scheme, 2018] 1×4=4

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

Ans. Refer Q.21 of Outside Delhi Set-I 2019.

17. 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 Achiever's 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.

(a) Identify the incentive provided by 'Goodcare Hospitals' to its doctors through running trophies.

(b) Which need of the doctors will be satisfied through the incentive identified in part (a)? State.

* (c) State any two values that the CEO of 'Goodcare Hospitals' is trying to communicate to the society. 4

Ans. (a) Employee Recognition 1
(If an examinee has written 'Non - Financial incentive' instead of 'Employee Recognition', Only ½ mark to be awarded)

(b) Esteem Needs 1
The include factors/needs such as self respect, autonomy status, recognition, etc.
(or Any other correct value)
[CBSE Marking Scheme, 2018]

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

Ans. Protective functions of SEBI : (Any three)

(i) It prohibits fraudulent and unfair trade practices like misleading statements, manipulations, price rigging etc.

(ii) It controls insider trading and imposes penalties for such practices.

(iii) It undertakes steps for investor protection.

(iv) It promotes fair practices and code of conduct in securities market.

(If an examinee has given only the headings, ½ mark for each heading should be awarded)

[CBSE Marking Scheme, 2018] 4

19. 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.

(i) State the responsibility which Sumit had to fulfil as an aware consumer to get the services of the company,

(ii) Explain briefly any two rights which Sumit could have exercised "had he fulfilled his responsibility identified in part (i)". 4

Ans. (i) Responsibility which Sumit has to fulfil as an aware consumer to get the services of the company:

Learn about the risks associated with products and services, follow manufacturer's instructions and use the products safely.

(ii) Two rights which Sumit could have exercised had he fulfilled his responsibility:

(a) **Right to be heard:**

The consumer has right to file a complaint and to be heard in case of dissatisfaction with a product or a service.

It is because of this reason many firms have set up their own consumer service and grievance cells.

(b) **Right to seek redressal:**

The consumer has a right to get relief in case the product or service falls short of his expectations.

The Consumer Protection Act, 1986 provides reliefs to consumers such as replacement of product, removal of defect in the product, compensation for any loss or injury suffered by the consumer.

[CBSE Marking Scheme, 2018] 1+3=4

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

Ans. Co-ordination is the process by which a manager synchronises the activities of different departments towards the achievement of a common goal.

Features of co-ordination : (Any four)

- (i) It integrates group efforts by unifying diverse interests into purposeful work activity.
- (ii) It ensures unity of action by acting as a binding force between departments and ensuring that all action is aimed at achieving the goals of the organisation.
- (iii) It is a continuous process as it starts at the planning stage and continues till controlling.
- (iv) It is a pervasive function as it is required in all types of organisations, in all the departments and at all levels.
- (v) It is the responsibility of all managers at the top, middle and lower level.
- (vi) It is a deliberate function as every manager has to co-ordinate the efforts of different people in a conscious and deliberate manner.

(If an examinee has given only the headings, ½ mark for each heading should be awarded)

[CBSE Marking Scheme, 2018] 1+4=5

21. '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

Ans.(a) Specific and General Forces : Business Environment includes both specific and general forces.

Specific forces affect individual enterprises directly and immediately in their day-to-day working. General forces have impact on all business enterprises and thus may affect an individual firm only indirectly.

(b) **Importance of business environment :**

(Any four)

- (i) It helps to identify opportunities and getting the first mover advantage instead of losing them to the competitors.
- (ii) It helps to identify threats on time which serves as an early warning signal.
- (iii) It helps in tapping useful resources so that it can convert them into output that the environment desires.
- (iv) It helps in coping with rapid changes in an increasingly dynamic environment.
- (v) It helps in assisting in planning and policy formulation.
- (vi) It helps in improving performance by continuously monitoring the environment and adopting suitable practices.

(If an examinee has given only the headings, ½ mark for each heading should be awarded)

[CBSE Marking Scheme, 2018] 1+4=5

22. 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 the supply. He was also keen to promote methods and practices that were economically viable, 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 Alovera 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.

- (i) Identify the concept.
- (ii) Explain briefly any four factors discussed in the above case related to the concept so identified. 5

Ans. (i) Price/ Pricing

[CBSE Marking Scheme, 2018] 5

- (ii) Refer Q.14 of Delhi Set-III 2019.
23. 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

Ans. Principles of management followed in the above case:

- (i) Science not rule of thumb
 - (a) It states that there was only one best method to maximise efficiency.
 - (b) This method can be developed through scientific study and analysis of each element of a job and should substitute 'Rule of Thumb'.

(c) This standard method then should be followed throughout the organisation.

- (ii) Development of each and every person to his greatest efficiency and prosperity:

- (a) This principle is concerned with efficiency of employees which could be built in right from the process of employee selection.
- (b) The work assigned to employees should suit their capabilities. They should be given the required training to increase their efficiency.
- (c) Efficient employees would produce more and earn more. This will ensure their greatest efficiency and prosperity for both the company and the workers.

Technique of scientific management followed in the above case:

- (i) Method Study:

- (a) It is a study to find out one best way of doing the job.
- (b) It helps to minimize the cost of production, improve the quality and maximize satisfaction of the customer.
- (c) It includes all activities from procurement of raw materials till the final product is delivered to the customer.

[CBSE Marking Scheme, 2018] 2+2+2=6

24. '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.

- (i) Name the step of the staffing process regarding which the company decided to take action.
- (ii) State the benefits of the action to 'Moga Industries Ltd.' 6

Ans.(i) Training and Development.

- (ii) Benefits of training to 'Moga Industries Ltd.':

- (a) It avoids wastage of efforts and money as training is systematic learning, better than hit and trial methods.
- (b) It enhances employee productivity both in terms of quantity and quality leading to higher profits.

- (c) It equips the future manager to take over in an emergency.
- (d) It reduces employees' turnover as it increases employee morale and reduces absenteeism.
- (e) It helps in obtaining effective response in a fast changing environment

(If an examinee has given only the headings, ½ mark for each heading should be awarded)

[CBSE Marking Scheme, 2018] 1+5=6

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

Ans. Factors affecting fixed capital requirements of a company:

- (i) **Nature of business:** A manufacturing concern requires more fixed capital to purchase fixed assets. For example, plant and machinery, etc. as compared to a trading concern.
- (ii) **Scale of operations:** A larger organisation operating at a higher scale needs bigger plant, more space, etc., and therefore requires more fixed capital as compared to the smaller organisations.
- (iii) **Choice of technique:** The business organisations using capital intensive techniques require more fixed capital whereas companies using labour-intensive techniques require less capital.

(iv) **Technology upgradation:** Industries in which technology up gradation is fast need more amount of fixed capital as when new technology is invented, old machines become obsolete and they need to buy new plants and machinery whereas companies where technological up gradation is slow they require less fixed capital as they can manage with old machines.

(v) **Growth prospects:** Companies which are expanding and have high growth plan require more fixed capital, to invest in more plant and machinery and other fixed assets in comparison to the companies having slow growth track or less growth prospects.

(vi) **Diversification:** Companies which have plans to diversify their business activities by including more range of products require more fixed capital. For producing more products they require more plants and machinery which means more fixed capital is required in comparison to the companies having no diversification plans.

(vii) **Level of Collaboration:** If companies are preferring collaborations, joint ventures then companies will need less fixed capital as they can share plant and machinery with their collaborations but if company prefers to operate as independent unit then there is more requirement of fixed capital.

(viii) **Financing alternatives:** Availability of leasing facility reduces the requirement of fixed capital to be invested in outright purchase of the fixed asset. (Any four)

