

# ISC Solved Paper, 2020

## Business Studies

### Class-XII

(Maximum Marks : 80)

(Time allowed : Three hours)

- (i) Candidates are allowed additional 15 minutes for only reading the paper.  
(ii) They must NOT start writing during this time.  
(iii) Answer **Question 1** from Part I (compulsory) and **five** questions from Part II.  
(iv) The intended marks for questions or parts of questions are given in brackets [ ].

#### PART- I

[20 Marks]

Answer all questions.

1. Answer briefly each of the following questions (i) to (x): [10×2]

- (i) Define *human resource management*.  
(ii) List *any two* uses of conducting job analysis.  
(iii) State *any two* reasons to justify 'medical examination' as an integral part of a good selection procedure.  
(iv) Define *staff morale*.  
(v) Explain the concept of *encashment of leave*.  
(vi) Give *any two* distinctions between *potential appraisal and performance appraisal*.  
(vii) What is a *quotation letter*?  
(viii) Define *partnership*.  
(ix) List *any two* opportunities that globalisation has brought in.  
(x) Expand the following:  
(a) NBFC  
(b) FSSAI

**Ans. (i)** Human Resource Management is a strategic approach to efficiently and effectively optimise a workforce by recruiting and selecting employees, providing orientation and induction training and development, assessment of employees, providing compensation and benefits, motivating, maintaining proper relations with employees and with trade unions, maintaining employees' safety, welfare and health measures in compliance with labour laws. It is the art of managing people at work in such a manner that they give their best to the organisation for achieving its set goals and gaining a competitive advantage in the industry.

**(ii) Two uses of conducting job analysis are:**

- (a) It helps in manpower planning and facilitates the division of work in the organisation.

(b) It is used to analyse the training and development needs of the employees by determining the gap between actual and expected outcomes.

(iii) Medical examination is an integral part of a good selection procedure because:

(a) It helps to ascertain physical standard and fitness of prospective employees for the job position.

(b) It helps to prevent injury or damage to the health of employees by placing them in proper job situations.

(iv) Staff morale is defined as the attitude, satisfaction and overall outlook of employees during their association with an organisation or a business. It is the degree of enthusiasm and willingness with which the members of a group work to perform their assignments.

(v) Leave encashment means to avail salary in lieu of accumulated leaves. In any organisation, leave encashment is one of the major incentives for employees not to avail leaves. Normally the leave encashment policy of the organisation allows an employee to encash the leaves at basic salary.

(vi) The differences between potential appraisal and performance appraisal is are:

S.No.	Potential appraisal	Performance appraisal
(a)	Evaluates the latent capacity and unutilised talent of the employees.	Evaluates performance of employees irrespective of the talent and situation.
(b)	Evaluates what the employee is capable of doing.	Evaluates how the employee has performed.

(c)	It is evaluated by analysing the strength and weakness, traits and potential of an employee to grow.	It is evaluated by yardsticks like task outcome and job requirements.
(d)	Future oriented	Past oriented
(e)	Motivational exercise	Fault finding exercise

(vii) After receiving the Letter of Inquiry from a prospective buyer, the sellers supply the relevant information by writing a letter that is called quotation letter. These letters are written keeping in view the information asked for price list, mode of payment, discount to be allowed, etc.

(viii) Partnership is an association of two or more persons who pool their financial and managerial resources and agree to carry on a business, and share its profit. It is a type of business organisation in which two or more individuals pool money, skills, and other resources, and share profit and losses in accordance with terms of the partnership agreement.

(ix) **Opportunities brought by globalisation are:**

- (a) It has increased in the flow of capital.
  - (b) Spread of knowledge and technology.
  - (c) Increased employment opportunities over a period of time.
  - (d) Exposure to international competition.
- [Any two]

- (x) (a) NBFC - Non-Banking Financial Companies  
 (b) FSSAI - Food Safety and Standards Authority of India

**PART- II**

**[60 Marks]**

*Answer any five questions*

2. (a) What is meant by *manpower estimation*? Explain its relevance in human resource management. [4]

(b) Briefly explain the *four internal sources of recruitment*. [8]

**Ans.** (a) Manpower estimation is the process of estimating the optimum number of people required for completing a project, task or a goal within time. It includes parameters like number of personnel, different types of skills, time period, etc. It is the process by which management determines how the organisation should move from its current manpower position to its desired manpower position.

**Its relevance in Human Resource Management are:**

- (i) Helps to ensure that the organisation has the required quantity and quality of manpower.
- (ii) Helps to avoid shortage and surplus of employees.
- (iii) Enables development and growth of the enterprise.
- (iv) Leads to better utilisation of manpower resources.
- (v) Useful in controlling and foreseeing costs of manpower.
- (vi) Helps in planning for physical facilities like canteen, staff quarters, furniture and equipment.

(b) **Internal sources of recruitment are:**

(i) **Promotion:** Promotion leads to elevating an employee to a higher position, carrying higher responsibilities, privileges, status and pay. Promotion is a vertical/upward advancement of employees.

(ii) **Transfer:** It involves shifting of an employee from one job to another, one department to another or from one shift to another, without a substantive change in the responsibilities and status of the employee. It may lead to changes in duties and responsibilities, working conditions, etc., but not necessarily in salary.

(iii) **Ex-employees:** Most of the time, people who were earlier employed in the company may be employed again. These are called ex-employees. Either a company can call them and offer a job or they may come back on their own.

(iv) **Recommendations by employees or employee referrals:** Employee referrals are when the existing employees of an organisation recommends/refers friends or relatives as potential candidates for an opening or a vacancy in the organisation.

3. (a) State *any four distinctions between recruitment and selection*. [4]

(b) Briefly explain *two factors of Herzberg's theory of motivation*. [8]

Ans. (a) Differences between recruitment and selection are:

Basis of difference	Recruitment	Selection
<b>Meaning</b>	It is the process of stimulating people to apply for a vacant job position in an organisation.	It is the process of selecting the best candidate from those who have applied for the job.
<b>Objective</b>	The objective of recruitment is to create a pool of eligible candidates for the purpose of selection.	The objective of selection is to get the best candidate selected for the job.
<b>Nature</b>	It is a positive process as it attracts people towards the organisation.	It is a negative process as it involves rejection of candidates at every stage of it.
<b>Sequence</b>	It takes place before selection.	It takes place after recruitment.
<b>Obligation</b>	There is no contractual obligation.	A contract of service is made post selection.
<b>Scope</b>	It is restricted to receipt of application.	It includes sorting of applications and final selection.
<b>Process</b>	It is a simple process that only involves identifying and attracting a pool of candidates for a specific job.	It is a complex process that involves creation of number of stages to be placed in a specific job.

(Any four)

(b) In 1959, Frederick Herzberg, a behavioural scientist proposed a two-factor theory or the motivator - hygiene theory. According to Herzberg, there are some job factors that result in satisfaction while there are other job factors that prevent dissatisfaction. According to Herzberg, the opposite of "Satisfaction" is "No Satisfaction" and the opposite of "Dissatisfaction" is "No Dissatisfaction".

(i) Herzberg classified these job factors into two categories:

**Hygiene factors:** Hygiene factors are those job factors which are essential for absence of dissatisfaction at workplace. These do not lead to positive satisfaction for long-term. But if these factors are absent or non-existent at workplace, then they lead to dissatisfaction. Hygiene factors symbolise the physiological needs which the individuals wanted and expected to be fulfilled.

Hygiene factors include:

- **Pay:** The pay or salary structure should be appropriate and reasonable. It must be equal and competitive to those in the

same industry in the same domain.

- **Company Policies and Administrative Policies :** The company policies should not be too rigid. They should be fair and clear. It should include flexible working hours, dress code, breaks, vacation, etc.
- **Fringe Benefits:** The employees should be offered health care plans, benefits for the family members, employee help programmes, etc.
- **Physical Working Conditions:** The working conditions should be safe, clean and hygienic. The work equipment should be updated and well-maintained.
- **Status:** The employees' status within the organisation should be familiar and retained.
- **Interpersonal Relations:** The relationship of the employees with his peers, superiors and subordinates should be appropriate and acceptable. There should be no conflict or humiliation element present.
- **Job Security:** The organisation must provide job security to the employees.

(ii) **Motivational factors:** According to Herzberg, the hygiene factors cannot be regarded as motivators. The motivational factors yield positive satisfaction. These factors are intrinsic to work. These factors motivate the employees for a superior performance. These factors are called satisfiers. Motivational factors include:

- **Recognition:** The employees should be praised and recognised for their accomplishments by the managers.
- **Sense of Achievement:** The employees must have a sense of achievement. This depends on the job. There must be a fruit of some sort in the job.
- **Growth and Promotional Opportunities:** There must be growth and advancement opportunities in an organisation to motivate the employees to perform well.
- **Responsibility:** The employees must hold themselves responsible for the work. The managers should give them ownership of the work. They should minimise control but retain accountability.
- **Meaningfulness of the Work:** The work itself should be meaningful, interesting and challenging for the employee to perform and to get motivated.

4. (a) State any four differences between training and education. [4]

(b) With reference to democratic leadership, answer the following: [8]

- Explain the concept of democratic leadership.
- State any two advantages.

- (iii) State any two disadvantages.  
 (iv) Specify any two conditions where this style is most effective.

Ans. (a) Differences between training and education

Basis of difference	Training	Education
Meaning	Training is a process by which the aptitudes, skills and abilities of employees to perform specific jobs are improved in the short-term.	Education is the process of increasing the knowledge and understanding of employees. It is the understanding and interpretation of knowledge.
Application	It has real-time, practical application.	It is mostly theoretical in nature.
Objective	To improve performance and productivity.	To develop a sense of reasoning and judgment.
Duration	It is for short-term duration.	It is for long-term duration.
Cost	The cost is borne by the employer.	The cost is borne by the individual or government.
Nature	It is job oriented.	It is career oriented.
Place	Training is imparted in business enterprise and vocational/training institutes.	Education is imparted in educational institutions like schools, colleges and universities.

(Any four)

(b) (i) In a democratic leadership style, subordinates are involved in decision-making process. Unlike autocratic, this leadership is centred on subordinates' contributions. The democratic leader holds final responsibility, but he or she is known to delegate authority to other people, who determine work for projects. Under this style, a leader decentralises and delegates high authority to their subordinates. Accordingly, the leader makes a final decision only after consultation with the subordinates. Two-way communication channel is used. While delegating a lot of authorities to subordinates, he defines the limits within which people can function. Democratic leaders have a high concern for both people and work.

(ii) Advantages:

- Through exchange of ideas among subordinates, leader improves job satisfaction and morale of the subordinates.
  - Human values get their due recognition which develops positive attitude and reduces resistance to change.
- Labour absenteeism and labour turnover are reduced as they feel that they are also important for the organisation.
  - This style creates higher levels of productivity and insightful inputs because each team member is encouraged to use their strengths to benefit everyone.
- (iii) Disadvantages:
- Democratic style of leadership is time consuming and may result in delays in decision-making.
  - It is less effective if participation from the subordinates is for name's sake.
  - Consulting others while making decisions goes against the capability of the leader to take decisions. Democratic leadership is ideal for white collar workers as under this type of leadership, decisions are jointly made by the leader as well as his followers. The leaders decentralise authority and allow the group to share their power. The followers take an active participation under this leadership.
  - It creates negative emotions as it highlights some members of team who have creative skills and discourage those who have done.
- (iv) Suitability:
- Subordinates have accepted the goal of the organisation.
  - Leader is willing to share the decision-making with subordinates.
5. (a) With reference to staff benefits provided by an organisation, explain Group Insurance and Employees Provident Fund. [4]
- (b) Explain any four advantages and any four limitations of seniority-based promotion. [8]
- (a) **Group Insurance:** Group health insurance is a type of medical insurance package that covers group of people, or employees working in an organisation, or of a society or of a registered residential apartment. The plan covers medical benefits for the employees (insured), their spouse, their children and the dependent parents (if mentioned).  
**Employees Provident Fund:** Employee's Provident Fund (EPF) is a retirement benefit scheme that is available to all salaried employees. A provident fund is a compulsory, government-managed retirement savings scheme. Workers contribute a portion of their salaries into a provident fund and employers must contribute on behalf of their employees. The money in the fund is then paid out to retirees.
- (b) Seniority of an employee refers to the relative length of service in an organisation. When seniority is considered as the basis of promotion,

the rule is to promote the employee having the longest length of service, irrespective of whether the employee is competent to occupy a higher post or not.

**Advantages of seniority-based promotion are:**

- (i) It develops a sense of loyalty among the employees and the morale of the employees will be higher.
- (ii) It is easy to measure the length of service and administer the rule.
- (iii) Seniority is an objective basis for promotion and so each employee is sure of getting promotion.
- (iv) Subordinates are interested to work under a senior and experienced boss.
- (v) It reduces labour turnover. As employees become senior, their chances of promotion also increase. This prevents them from leaving the organisation.
- (vi) Employees and trade unions prefer seniority as it does not differentiate between efficient and inefficient employees.
- (vii) It gives a sense of certainty of getting promoted to every employee and wait for their turn of promotion.
- (viii) It encourages the employees to work hard, sincerely and efficiently.

**The disadvantages of seniority-based promotion are:**

- (i) It discourages creativity and innovation in the organisation.
- (ii) Since the employees are sure of getting promotion, it makes them lethargic in performing their duties.
- (iii) Promotion is made by giving weightage only to seniority, and efficiency of the workers is not at all considered.
- (iv) Under this system, management loses control over employees. The management can provide no incentives when employees are sure of promotion by seniority, they disrespect authorities.
- (v) The senior most people may not necessarily be the most competent person.
- (vi) When promotions are based on seniority, junior employees have no incentive to improve their performance. **(Any two)**

6. (a) What is meant by staff separation? List any four means of the same. [4]

(b) Define communication. State any six differences between formal communication and informal communication. [8]

Ans. (a) Staff separation refers to the termination of employees from membership of the organisation. Four ways in which an employee's association with his organisation may come to an end are:

- (i) **Retrenchment:** Retrenchment means involuntary separation of an employee due to the replacement of labour by machines or the closure of the department. It simply means termination of employee's services, because of replacement of the worker by machines or closure of the unit due to the lack of product's demand produced by the unit. In retrenchment, the termination of services of several employees takes place where they are sent home and their connection with the organisation is completely and immediately severed.
- (ii) **Dismissal:** Dismissal is the involuntary termination of an employee due to incompetence, poor job performance, or violation of policy.
- (iii) **Retirement:** Retirement is the point in time when an employee chooses to leave his or her employment permanently. It is a contract with an employee that specifies the age of retirement. At the time of retirement, he receives his provident fund amount, gratuity and encashment of earned leaves, etc.
- (iv) **Resignation:** A resignation is the formal notice to an employer of voluntary termination of employment by an employee. It means an employee takes or is made to take the initiative to leave the job. It may be voluntary or involuntary.

(b) **Meaning:** The exchange of information or passing of information, ideas or thoughts from one person to the other or from one end to the other is communication.

According to McFarland, communication is "A process of meaningful interaction among human beings. More specifically, it is the process by which meanings are perceived and understandings are reached among human beings." Newman and Summer defined communication as "an exchange of facts, ideas, opinions or emotions by two or more persons."

**The differences between formal and informal communication are :**

Basis	Formal communication	Informal communication
Meaning	It refers to all types of communication in which the interchange of the information is done using pre-defined channels.	It refers to all types of verbal communication in which the interchange of information does not follow any channel.

<b>Another name</b>	Official communication	Grapevine communication
<b>Reliability</b>	More	Comparatively less
<b>Speed</b>	Formal communication is time-consuming.	Informal communication is rapid and quick.
<b>Secrecy</b>	Full secrecy is maintained	It is difficult to maintain secrecy
<b>Mode of communication</b>	Written	Oral
<b>Evidence</b>	In formal communication, the documentary evidence is always available.	In the case of informal communication, the supporting documents are not available.

(Any six)

7. (a) Explain the concepts of *virtual teams* and *retainership*. [4]

(b) What is meant by *e-Business*? Briefly explain any seven benefits of *e-business*. [8]

(a) **Virtual Team:** A virtual team, also known as a Geographically Dispersed Team, Distributed Team, or Remote Team, usually refers to a group of individuals who work together from different geographic locations and rely on communication technology such as email, FAX, and video or voice conferencing services in order to collaborate.

**Retainership:** Retainership contract is one in which the employees are hired on retainership basis. Since there are no fixed hours of office attendance of such a contract, statutory requirements of employment like PF, Bonus, Gratuity, etc., are not applicable to the individuals. The working hours, monthly charges and other benefits can be given depending upon mutual understanding and terms of contract between the company and the individual. There will be no master and servant relationship in such contract.

(b) **e-Business:** e-Business is any kind of business or commercial transaction that includes sharing information across the internet. e-Business may be defined as the conduct of industry, trade and commerce using the computer networks. The network is the internet. These electronic business processes include buying and selling products, supplies and services; servicing customers; processing payments; managing

production control; collaborating with business partners; sharing information; running automated employee services; recruiting; and more.

**Benefits of e-Business:**

(i) **Ease of formation and lower investment requirements:** Unlike a host of procedural requirements for setting up an industry, e-Business is relatively easy to start. The benefits of internet technology accrue to big or small business alike.

(ii) **Convenience:** Internet offers the convenience of '24 hours × 7 days a week × 365 days' a year business. Such flexibility is available even to the organisational personnel whereby they can work from wherever they are, and whenever they may want to do it. e-Business is truly a business as enabled and enhanced by technology and offers the advantage of accessing anything, anywhere, anytime.

(iii) **Speed:** Much of the buying or selling involves exchange of information that internet allows at the click of a mouse. This benefit becomes all the more attractive in the case of information-intensive products such as software's, movies, music, e-books and journals that can even be delivered online.

(iv) **Global reach:** Internet is truly without boundaries. On one hand, it allows the seller an access to the global market; on the other hand, it provides the buyer a freedom to choose products from almost any part of the world. It would not be an exaggeration to say that in the absence of internet, globalisation would have been considerably restricted in scope and speed.

(v) **Movement towards a paperless society:** Use of internet has considerably reduced dependence on paperwork and the attendant 'red tape'. The government departments and regulatory authorities are increasingly moving in this direction whereby they allow electronic filing of returns and reports.

(vi) **e-Business helps in cost reduction:** e-Business is very cost-effective as it helps eliminate the role of the middlemen. Advertisements on internet enable a better customer-to-cost ratio. Hosting a website reduces the cost incurred on labour, office rent and maintenance. The speedy flow of information between the buyers and sellers in electronic market helps to eliminate unnecessary inventory cost. Web enables a business organisation to introduce and market a new product without incurring huge investment.

(vii) **e-Business helps to acquire Just-In-Time Information:** e-Business enables business organisations to have direct links with suppliers, distributors and customers through improved information systems. Speedy flow of communication paves way for quick processing of orders. The services of the organisation are available 24 hours a day and 365 days a year. e-Business helps to deliver just-in-time information and removes communication barriers between employees, customers, suppliers and business associates.

8. (a) **State any two differences between:** [4]  
 (i) *Informative report and interpretative report.*  
 (ii) *Routine report and special report.*  
 (b) **Discuss any two advantages and any two disadvantages each to the 'outsourcer' and to the 'outsourced', in the process of outsourcing.** [8]

Ans. (a)

(i) **Differences between Informative Report and Interpretative Report.**

Informative Report	Interpretative Report
It contains only the data collected or facts observed in an organised form.	It contains facts but it also contains an evaluation and reporter's conclusions and recommendations.
It presents the situation as it is and not as it should be.	It presents situation as it is and also as it should be.

(ii) **Differences between Routine Report and Specific Report:-**

Routine Report	Specific Report
A Routine Report is prepared and presented as a routine work and at a regular period of time.	A specific report is prepared and submitted on a request of the management for achieving a specific objective.
Example: Annual report of an association or a company.	Example: Business conference report.

(b) **Outsourcer**

**Advantages:**

- (i) **Helps in concentration on core activities:** Outsourcing the supporting processes gives the organisation more time to strengthen their core business process.  
 (ii) **Reduction in operational and recruitment cost:** Outsourcing eludes the need to hire individuals in-house; hence recruitment and operational costs can be minimised to a great extent. This is one of the prime advantages of offshore outsourcing.

**Disadvantages:**

- (i) **Risk of revealing confidential data:** When an organisation outsources HR, Payroll and Recruitment services, it involves the risk of exposing confidential company information to a third-party.  
 (ii) **High fees:** Although outsourcing most of the times is cost-effective, but at times the hidden and unknown costs involved in signing a contract across international boundaries and may pose a serious threat.

**Outsourced**

**Advantages:**

- (i) **Source of income:** The company can earn income by providing the goods and services to different companies.  
 (ii) **Use of expertise and income:** Most of the times tasks are outsourced to vendors who specialise in their field. The outsourced vendors also have specific equipment and technical expertise, most of the times better than the ones at the outsourcing organisation. Effectively the tasks can be completed faster and with better quality output.

**Disadvantage**

- (i) **Involvement of recruitment cost:** To cater to the needs of the companies who have outsourced the task, the company may need to hire additional workers which can increase the cost.  
 (ii) **No guarantee of repeating the client:** The outsourced company may end up incurring huge costs on fixed and working capital with no guarantee of the client repeating the service of the outsourced company.

9. (a) **Explain angel investors and crowd funding as sources of finance for a business venture.** [4]  
 (b) **Draft an application letter for the post of a Sales Executive in a reputed Multi National Company, in response to an advertisement published in the newspaper.** [8]  
 (a) Angel investors are wealthy individuals or groups of individuals who invest money or equity financing in start-up or early stage of small businesses. They are investors who usually provide private equity or second-round funding for growing, profitable small businesses that need money to continue to grow. After family and friends, as well as the small business owner, provides the seed money for start-up companies, the companies then have to turn to either debt or equity financing in order to survive and move forward.  
 Crowd funding is the use of small amounts of capital from a large number of individuals to finance a new business venture. Crowd funding

makes use of the easy accessibility of vast networks of people through social media and crowd funding websites to bring investors and entrepreneurs together, and has the potential

to increase entrepreneurship by expanding the pool of investors from whom funds can be raised beyond the traditional circle of owners, relatives and venture capitalists.

**(b) Application letter:**

From

\* 7 D, Ashish Towers,  
Rohini, New Delhi

\*Date. ....

(Date can be at the end, left hand corner also)

To,

The Advertiser

The Personnel Manager

\* Post Box No. 123 OR XYZ Ltd.

The Times of India Maurice Nagar,

New Delhi - 110001 New Delhi – 110007

\*Sub .....

\*Ref .....

Dear Sir,

This is in reference to your advertisement for the post of \* Assistant Manager (Sales) as advertised in \* Times of India, dated\* .....

I offer my candidature for the said post. I am enclosing my \*bio data with this application.

\*With warm regards,

\*Yours sincerely,

\*Sd/-

\*(Name)

\*Encl: Bio data

(Sub. \* Ref. can be after 'Dear Sir' or before it. OR can be included in the body of the letter.)

**\*BIO DATA\***

\*Name

\*Address

\*e-mail Id

\*Age or Date of Birth

\*Gender

\*Aadhar Card Number

\*Contact Number

\*Educational Qualifications:

Exam passed	Year of passing	Board (/)Univer- sity	Subjects	Marks

\*Co-curricular Activities

Sports/Dramatics/Social service/any other

\*Experience

Since the post is an Assistant Manager, experience of a few years in of a similar set-up is a must.

\*References

\*Languages known

