

SAMPLE QUESTION PAPER 2

BUSINESS STUDIES

Class XII

Time allowed: 3hrs

Maximum Marks: 80

General Instructions:

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

1 Marks Questions

1. State any one characteristic of co-ordination.
2. How does management help in increasing efficiency?
3. What is meant by "single use plan."?
4. Laxmi Chemicals Ltd., a soap manufacturing company wanted to increase its market share from 30% to 55% in the long run. A recent report submitted by the Research & Development Department of the company had predicted a growing trend of herbal and organic products. On the basis of this report the company decided to diversify into new variety of soaps with natural ingredients having benefits and fragrances of Jasmine, Rose, Lavendear, Mogra, Lemon Grass, Green Apple, Strawberry etc. The Unique Selling Proposition (USP) was to promote eco-friendly living in the contemporary life style. The company decided to allocate Rs.30 crores to achieve the objective.

Identify the type of one of the functions of management mentioned above which will help the company to acquire dominant position in the market.

5. Reshu's father has gifted her shares of a large cement company, with which he had been working. The securities were in physical form. She already has a bank account and does not possess any other forms of securities. She wished to sell the shares and approached a registered broker for the purpose. Mention one mandatory detail which she will have to provide with the broker.
6. How do rising prices affect the requirement of working capital of an organisation?
7. Good Living Ltd. manufactures mosquito repellent tablets. These tablets are packed in strips of 12 tablets each. Each of these strips are packed in a cardboard box, 48 such boxes are then placed in a big corrugated box and delivered to various retailers for sale. State the purpose of packaging the tablets in a corrugated box.
8. Shreemaya Hotel in Indore was facing a problem of low demand for its rooms due to off season. The Managing Director (MD) of the hotel, Mrs. Sakina was very worried. She called upon the Marketing Manager, Mr.Kapoor for his advice. He suggested, that the hotel should announce an offer of '3 Days and 2 Nights hotel stay packaged with free breakfast and one day religious visit to Omkarehswar and Mahakaleshwar Temples'. The MD liked the suggestion very much. Identify the promotional tool, which

can be used by the hotel, through which large number of prospective pilgrimage tourists, all over the country and also abroad, can be reached, informed and persuaded to use the incentive.

3 & 4 Marks Questions

9. State any three points which highlight the importance of delegation for an organisation.
10. Explain any two factors affecting price of a product.
11. 'If anything goes wrong with the performance of key activities, the entire organization suffers. Therefore, the organization should focus on them.' Explain the statement with a suitable example.
12. Aakanksha, Nikita and Parishma are the owners of a handicraft unit in the urban area of Dibrugarh in Assam, which is involved in the manufacturing and marketing of Sital Pati, traditional mats and Jappi (the traditional headgear). They decided to shift this manufacturing unit to a rural area with an objective of reducing the cost and providing job opportunities to the locals.
They followed the functional structure in this organisation with a view to increasing managerial and operational efficiency.
They assessed and analysed the type and number of employees required, keeping in mind that they had to encourage the women, and the people with special needs belonging to the rural area. State the next three steps that they will have to undertake, for obtaining a satisfied workforce for their handicraft unit.
13. Saqib Ltd. is a large credit worthy company operating in the Kashmir Valley. It is an export oriented unit, dealing in exclusive embroidered shawls. The floods in the Valley have created many problems for the company. Many craftsmen and workers have been dislocated and raw material has been destroyed. The firm is therefore, unable to get an uninterrupted supply of raw material, and the duration of the production cycle has also increased. To add to the problems of the organisation, the suppliers of raw material who were earlier selling on credit are asking the company, for advance payment or cash payment on delivery. The company is facing a liquidity crisis. The CEO of the company feels that taking a bank loan is the only option with the company to meet its short term shortage of cash.
As a finance manager of the company name and explain the alternative to bank borrowing that the company can use to resolve the crisis.
14. Nutan Tiffin Box service was started in Mumbai by Mumbai Dabbawalas. The Dabbawalas who are the soul of entire Mumbai aim to provide prompt and efficient services by providing tasty homemade tiffin to all office goers at right time and place. The service is uninterrupted even on the days of bad weather, political unrest and social disturbances. Recently they have started online booking system through their website 'mydabbawala.com'. Owing to their tremendous popularity amongst the happy and satisfied customers and members, the dabbawalas were invited as guest lecturers by top business schools. The Dabbawalas operate in a group of 25-30 people along with a group leader. Each group teams up with other groups in order to deliver the tiffin on time. They are not transferred on frequent basis as they have to remember the addresses of their customers. They follow certain rules while doing trade- No alcohol during working hours; No leave without permission; Wearing of white cap & carrying ID cards during business hours.

Recently on the suggestion of a few self motivated fellow men, the dabbawalas thought out and executed a plan of providing food left in tiffins by customers to slum children. They have instructed their customers to place red sticker if food is left in the tiffin, to be fed to poor children later.

a) State any one principle of management given by Fayol & one characteristic of management mentioned in the above case.

b) Give any two values which the Dabbawalas want to communicate to the society.

15. Kiran Industries is a company manufacturing office furniture. The company chose to diversify its operations to improve its growth potential and increase market share. As the project was important many alternatives were generated for the purpose and were thoroughly discussed amongst the members of the organisation. After evaluating the various alternatives Sukhvinder, the Managing Director of the company decided that they should add 'Home Interiors and Furnishings' as a new line of business activity.

a) Name the framework, which the diversified organisation should adopt, to enable it to cope with the emerging complexity? Give one reason in support of your answer.

b) State any two limitations of this framework.

16. Mrs. Rajlaxmi is working as the Human Resource Consultant in a firm manufacturing cosmetic, which is facing a problem of high employee turnover. The CEO of the company has invited suggestions from her for retaining the talented employees & reducing the employee turnover. Mrs. Rajlaxmi recommends that the good employees be rewarded in a way that it creates a feeling of ownership among the employees and at the same time makes them contribute towards the growth of the organization.

a) Identify the incentive and explain its type, which has been suggested by Mrs. Rajlaxmi to the CEO of the company.

b) Also explain any two other incentives of the same type.

17. Enumerate any two techniques of scientific management.

18. "A financial market is for the creation and exchange of financial assets." Explain any two of its functions.

5 Marks Questions

19. "Every time I travelled, people asked me to bring them chips, khakra and pickles from all over the country," says Anoushka. Finally, she and her colleague, Sumeet, decided to make a business out of it. They launched a facebook page, asked people what they wanted, and they came up with a list of about 100 places and tied up with two dozen vendors to begin with. They were servicing people from Jaipur who wanted spices from Kerala, people from Panipat who wanted halwa from Jammu and people from Delhi who ordered for fresh tea leaves from Darjeeling. Through their business they wished to bridge the gap between sellers and buyers. The business is now worth millions.

Explain any two important activities that Anoushka and Sumeet will have to be involved in for making the goods available to the customers at the right place, in the right quantity and at the right time.

20. Joseph Bros. was a firm manufacturing jute lamp shades. It uses left over jute pieces from various jute factories to manufacture economical lamp shades which are supplied to various hotels in nearby towns. It employs men and women from nearby villages as workers for creating good lamp shade designs.

Joseph Bros., is not able to meet its targets. Namish, the supervisor of the company, was told to analyse the reasons for the poor performance. Namish found following problems and suggested certain solutions in the working of the business. The number of workers employed was less than what was required for the work. As a result, the existing workers were overburdened. The firm decided to search for new workers and it asked the present employees to introduce candidates or recommend their friends and relatives to the firm. This enabled the firm in "putting people to jobs" and assured attainment of objectives according to plans.

- a) Identify the functions of management being performed by the firm in the above situation.
- b) Name the concept and its source used by the firm to attract more workers for the firm.
- c) State any two values being followed by Jacob Bros.

21. Suhasini a home science graduate from a reputed college has recently done a cookery course. She wished to start her own venture with a goal to provide 'health food' at reasonable price. She discussed her idea with her teacher (mentor) who encouraged her. After analyzing various options for starting her business venture, they shortlisted the option to sell readymade and 'ready to make' vegetable shakes and sattu milk shakes. Then, they both weighed the pros and cons of both the shortlisted options.

- a) Name the function of management being discussed above and give any one of its characteristics.
- b) Also briefly discuss any three limitations of the function discussed in the case.

22. State any five semantic barriers to communication in an organization.

6 Marks Questions

23. "A good understanding of environment by business managers enables them not only to identify and evaluate but also to react to the forces external to their firm."

In the light of the above statement explain any four points of importance of understanding business environment by a manager.

24. Shalini, after acquiring a degree in Hotel Management and Business Administration took over her family food processing company of manufacturing pickles, jams and squashes. The business was established by her great grandmother and was doing reasonably well. However the fixed operating costs of the business were high and the cash flow position was weak. She wanted to undertake modernisation of the existing business to introduce the latest manufacturing processes and diversify into the market of chocolates and candies. She was very enthusiastic and approached a finance consultant, who told her that approximately Rs.50 lakh would be required for undertaking the modernization and expansion programme. He also informed her that the stock market was going through a bullish phase.

(a) Keeping the above considerations in mind, name the source of finance Shalini should not choose for financing the modernization and expansion of her food processing business. Give one reason in support of your answer.

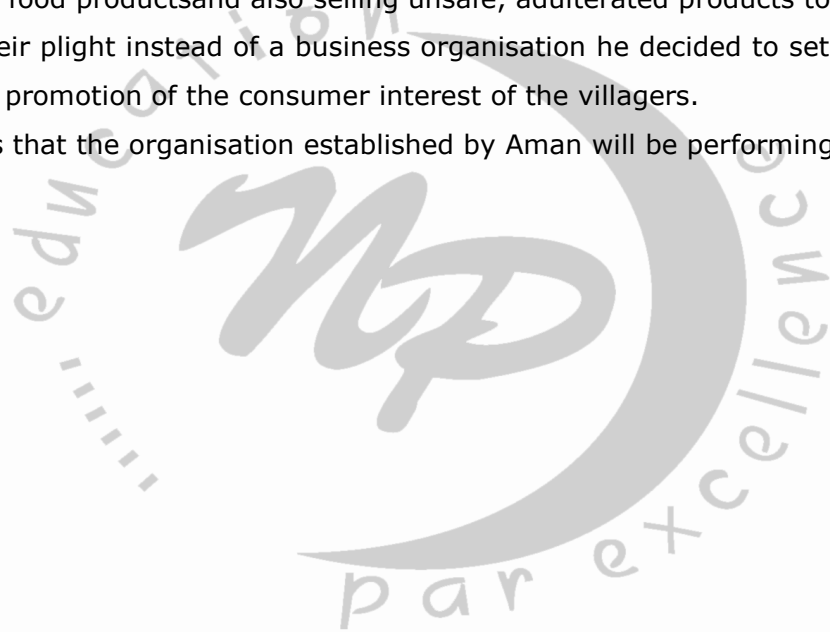
(b) Explain any two other factors, apart from those stated in the above situation, which Shalini should keep in mind while taking this decision.

25. Aman a degree holder in Entrepreneurship came to know about Piplantri Village located in Rajasthan, where in 2006 an initiative was started, in which 111 trees are planted every time a girl child is born. To keep termites away from the trees the villagers have planted 2.5 million Aloe Vera plants around the trees. This has turned the village into an oasis, as the planting of trees led to higher water levels. Aman decided to visit the village to start a business unit, for the processing and marketing of Aloe Vera into juices, gels and other products.

However, on visiting the village Aman found that the villagers were suffering exploitation at the hands of local merchants who were engaged in unscrupulous, exploitative trade practices like hoarding and black marketing of food products and also selling unsafe, adulterated products to the villagers.

After looking at their plight instead of a business organisation he decided to set up an organisation for the protection and promotion of the consumer interest of the villagers.

State the functions that the organisation established by Aman will be performing. (Any six points)



SAMPLE PAPER 2

SOLUTIONS

1. Any one characteristic.

- i. Coordination integrates unrelated group efforts into purposeful work activity.
- ii. Coordination ensures unity of action in the realization of a common purpose.
- iii. Coordination is not a one-time function but it is a continuous function beginning with planning stage and continues till controlling.
- iv. Coordination is a pervasive function needed at all levels of management.
- v. Coordination is the function of every manager in the organization.
- vi. Coordination is a function performed in a deliberate and conscious manner.

(1 mark for the statement)

2. A manager reduces cost and increases productivity through better planning, organizing, directing, staffing and controlling the activities of the organization. (1

mark)

3. A single use plan is developed for a onetime event. Such a course of action is not likely to be repeated in future. (1 mark)

4. Strategy (1 mark)

5. Permanent Account Number (PAN) (1 mark)

6. With rising prices larger amounts are required to maintain a constant volume of production and sales. Thus working capital requirement of a business will be high. (1 mark)

7. The packaging of tablets in a corrugated box is necessary for the purpose of storage, identification and transportation. (1 mark for the statement)

8. Advertising.

9. Importance of Delegation (any three):

- (i) Delegation leads to effective management through empowerment of employees.
- (ii) Delegation helps in employee development by providing them with the chance to use their skills and experience.
- (iii) Delegation motivates employees by giving them responsibility which builds their self-esteem.
- (iv) Delegation facilitates growth by providing ready workforce to take up any expansion program.
- (v) Delegation provides basis of management hierarchy by establishing superior-subordinate relationship.
- (vi) Delegation helps in better coordination as it avoids overlapping of duties. (1x3=3)

10. Factors affecting price of a product: (Any two factors)

- (i) Product Cost
- (ii) Utility and Demand
- (iii) Extent of competition in the market
- (iv) Government and Legal Regulations
- (v) Pricing Objectives

(vi) Marketing Methods used
2=3]]

[1/2 mark heading + 1½ explanation (11/2 x

11. The statement refers to use of 'Critical Point Control', while analyzing deviations.

It emphasizes that deviations in the key areas need to be attended more urgently as compared to deviations in certain insignificant areas. Control should, therefore focus on these key result areas which are critical to the success of an the organization.

For example, in a manufacturing organization, an increase of 5 percent in the labour cost may be more troublesome than a 15 percent increase in postal charges. (or any other suitable example)

[2 marks for explanation and 1 mark for example]

12. The next three steps in the process of staffing are stated below:

1. Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organisation.

2. Selection is the process of choosing from among the pool of the prospective job candidates developed at the stage of recruitment.

3. Placement and orientation refers to the employee occupying the position or post for which the person has been selected and introducing the selected employee to other employees and familiarising him with the rules and policies of the organisation. (1x3=3)

13. **Commercial Paper:** It is a short term unsecured promissory note, negotiable and transferable by endorsement and delivery with a fixed maturity period. It is issued by large and creditworthy companies to raise short term funds at lower rate of interest than market rates. The issuance of commercial paper is an alternative to bank borrowing for large companies that are generally considered to be financially strong. [1 mark for naming and 2 marks for explanation]

14. a) **Principles of management (any one)**

Stability of Personnel	Initiative	Discipline	Esprit de corps 1
Characteristic of management (any one)			
Goal oriented	Dynamic	Intangible Force Multi Dimensional	Group activity

1

b) **Values that have been communicated by the Dabbawalas: (any two)**

1. Fulfilling social responsibility;

2. Empathy towards disadvantaged children;

3. Team work.

(or any other suitable value)

(1 mark each for the statement of the principle and feature)

15.(a) Divisional Structure-

Reason in support of the answer (any one)

1. Product Specialisation helps in the development of varied skills in a divisional head and this prepares him for higher positions.

2. Divisional heads are accountable for profits, as revenues and costs related to different departments can be easily identified and assigned to them.

3. It promotes flexibility and initiative because each division functions as an autonomous unit which leads to faster decision making.

4. It facilitates expansion and growth as new divisions can be added without interrupting existing operations by merely adding another divisional head and staff for the new product line.

(b) Limitations of the Divisional Structure: (Any two)

1. Conflict may arise among different divisions with reference to allocation of funds.

2. It may lead to increase in costs since there may be a duplication of activities across products.

3. Divisional interests may supersede organisational interests. for the statement (1x2=2)

16. (a) Financial incentive.

Co -Partnership/ Stock Option

(b) Other financial incentives (any two):

Pay and allowances Productivity linked wage incentives Bonus

Profit Sharing Retirement Benefits Perquisites

[1 mark for identifying the incentive 1/2 mark for identifying the type and 1/2 mark for the explanation

1/2 mark for the heading+1/2 mark for the explanation (1x2=2)]

17. Techniques of Scientific Management (any two)

Functional Foremanship: The technique is to improve the performance of supervisor in the factory set up. Taylor suggested functional foremanship through eight persons. Functional Foremanship is an extension of principle of division of work and specialization at the shop floor.

Motion Study - It refers to the study of movements like lifting, putting objects, sitting & changing positions etc. Which are undertaken while doing a typical job. Unnecessary movements are eliminated so that it takes less time to complete the job efficiently.

Standardisation and simplification of work- The process of setting standards for every business activity. These standards are bench marks which must be adhered during production process. The standards were set for every business activity standardisation of process, raw material, time, product etc. Simplification aims at eliminating superfluous varieties, sizes and dimension.

Method study the objective of method study is to find the one best way of doing the work

Time study it determines the standard time taken to perform a well defined job, the objective of time study is to determine the number of workers to be employed

Fatigue study This study seeks to determine the amount and frequency of rest intervals in completion of a task

Differential piece wage system According to this there are different rate of wage payment, higher rate for the efficient members who performed above standard and lower rate for those who perform below standards. (2+2=4)

18. Functions of Financial Market. (any two)

(i) Mobilisation of savings and channeling them into the most productive uses

(ii) Facilitating price recovery.

(iii) Providing liquidity to financial assets.

(iv) Reducing the cost of transaction

[1/2 mark for heading and 1 1/2 mark for explanation]

19. Activities/ Components of Physical Distribution: (Any two)

1. Order processing- A good physical distribution system should provide for an accurate and speedy processing of orders, in the absence of which goods would reach the customers late or in wrong quantity or specifications.

2. Transportation- It is the means of carrying the goods and raw materials from the point of production to the point of sale. It is important because unless the goods are physically made available, the sale cannot be completed.

3. Warehousing- It refers to the act of storing and assorting products in order to create time utility in them.

4. Inventory Control- Higher the level of inventory, higher will be the level of service to customers but the cost of carrying the inventory will also be high because lot of capital would be tied up in the stock. Thus, a balance is to be maintained in respect of the cost and customer satisfaction.

[1/2 mark for the heading+ 1 1/2 mark for explanation (2x2=4)]

20. (a) Staffing and Controlling

(b) Recruitment, External Source of Recruitment (Recommendations of employees)

Values being followed by Joseph Bros. :

(i) Creating employment opportunities.

(ii) Utilizing resources efficiently by using leftover clothes.

(any other suitable value.)

(1x2=2)

21. (a) Planning.

Characteristics of planning (any one)

(i) Planning focuses on achieving objectives.

(ii) Planning is a primary function of management

(iii) Planning is pervasive

(iv) Planning is continuous

(v) Planning is futuristic

(vi) Planning involves decision making

(vii) Planning is a mental exercise

(b) Any three limitations of planning:

(i) Planning leads to rigidity

(ii) Planning may not work in a dynamic environment

(iii) Planning reduces creativity

(iv) Planning involves huge cost

(v) Planning is a time consuming process

(vi) Planning does not guarantee success

[1/2 mark for heading and 1/2 mark for the explanation (1x3=3)]

22. Semantic barrier to communication (Any five)

(i) Badly expressed message may not convey intended meaning.

(ii) Symbols with different meanings may be perceived differently by the receiver.

(iii) Message originally drafted in one language may be misunderstood due to faulty translation.

(iv) Messages involving certain assumptions may be interpreted differently due to unclarified assumptions.

(v) Use of technical jargon by specialists may not be understood by others.

(vi) Body language and gesture decoding may be misunderstood if what is said and what is expressed do not match.

(1x5=5)

23. Importance of understanding business environment: (Any four)

1. It enables the firm to identify opportunities and getting the first mover advantage.
2. It helps the firm to identify threats and early warning signals.
3. It helps in tapping useful resources.
4. It helps in coping with rapid changes.
5. It helps in assisting in planning and policy formulation
6. It helps in improving performance

[1/2 mark for the point heading and 1 mark for explanation]

24.(a) Debt

Any one reason

1. Due to weak cash flow position, the firm may not be able to honour fixed cash payment obligations.
2. Increased fixed operating cost will increase the business risk therefore debt should not be issued as it further increases the financial risk.
3. The stock market condition being bullish, the investors will prefer to buy equity shares.

(b) Other factors which Shalini would keep in mind are: (any two)

Return on Investment

Tax Rate

Cost of Equity

Floatation Costs

Flexibility

Control Consideration

Regulatory Framework

Capital Structure of other companies.

Debt Service Coverage Ratio

Interest Coverage Ratio

Cost of Debt

[0.5 mark for the heading +1.5 mark for the explanation]

25. Functions of an NGO /Consumer organisation (any six)

- (i) Educating the villagers/general public about consumer rights by organising training programmes, seminars and workshops.
- (ii) Publishing periodicals and other publications to impart knowledge about consumer problems, reliefs available and other matters of interest.
- (iii) Carrying out comparative testing of consumer products in accredited laboratories to test relative qualities of competing brands and publishing the test results for the benefit of consumers.
- (iv) Encouraging consumers to strongly protest and take an action against exploitative and unfair trade practices of sellers.
- (v) Providing legal assistance to consumers by way of providing aid, legal advice etc, in seeking legal remedy.
- (vi) Filing complaints in consumer courts on behalf of consumers.
- (vii) Taking an initiative in filing cases in consumer courts in the interest of the villagers/general public, not for any individual.

(1x6=6)