

SAMPLE PAPER 3
BUSINESS STUDIES
Class XII

Time Allowed: 3 Hours

Max. 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 from 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. What is meant by 'management of work'?
2. Define 'Planning Premises.'
3. "Management creates a dynamic organization." How ?
4. Mr. X has retired as the Director of a manufacturing company.
At which level of management was he working? State any one function performed by him at this level.
5. How does 'Inflation' affect the working capital requirements of a company? State.
6. Harish is engaged in business of garments manufacturing. Identify the working capital requirements of Harish giving reason in support of your answer.
7. Every organization desires that it should have goodwill in the minds of all concerned. To establish goodwill, it is essential to have dialogue. It is by way of dialogue that an organization gets the necessary information. How is it possible?
8. Pragma bought an iron of a reputed brand for Rs 1500 but it caused an electric shock while it was being used. Pragma wants to exercise her 'Right'. Identify the 'Right' under which she can be protected.

3 & 4 Marks Questions

9. In an electrical goods manufacturing company, there are four main activities – Production, marketing, finance and personnel. The general manager is planning to structure the organization. Which type of organization structure should be adopted and why? Give two reasons.
10. State any 3-features of a good brand name.
11. Neeraj, a Sales representative of 'Omida Ltd.' has changed seven jobs in the last one year. He is a hardworking person but he is not able to finalise deals with the customers due to his inadequate vocabulary and omission of needed words. Sometimes he uses wrong words because of which intended meaning is not conveyed. All this created a misunderstanding between him and his clients.
 - (a) Identify the communication barrier discussed above.
 - (b) State the category of this communication barrier.
 - (c) Explain any other communication barrier of same category.

12. Explain the following money market instruments.
- (a) Treasury Bill
 - (b) Commercial Paper
13. "Supervision is not at all required in an Organization" Do you agree? Give two reasons in support of your answer.
14. The Court issued the order that for vehicles to be smokeless was most essential and that anyone violating this order shall have to pay a heavy fine. Abiding by this order was necessary for the health of people. Making this strict order of the Court as the base, 'Gyan Motors Limited' resolved to manufacture such vehicles by using modern technology as should not produce any smoke at all. The government also announced to provide help in several ways to set up such industrial units.
- (a) Identify the three Dimensions of Business Environment described in the paragraph above by quoting the relevant lines.
 - (b) Write about any one of the values for society granted by the Court.
15. What is meant by 'Consumer Protection'? Also state how consumer protection is important from the point of view of consumers.
16. Mr. Avinash Singh is working as the Chief Executive Officer-CEO in 'Palm Residency Ltd.'. The business of this company is to build houses, furnished with all modern facilities. It is quite clear that the success of the company depends on the level of its advertisement. That is why this department has been set up separately in the company. Besides several standards have been fixed to keep a control over its quality and cost, the standard of material to be used in the construction, the standard of working conditions, the standard of construction cost and the standard of work to be done by per person per day.
- Realising the importance of advertising, the CEO gave the right of spending money upto Rs 5 lacs to the Departmental Manager without seeking his permission. When the other departmental managers came to know of this authority, they also demanded this type of authority to spend money. Their demand was accepted happily. This decision started yielding positive results. Then the CEO again decided to give the authority of spending money to a limit freely to the supervisors also.
- (a) Which concept of F. W. Taylor has been described in the paragraph given above. Identify it.
 - (b) Which concept of management is referred to according to which the Advertisement Manager has been given the authority of spending money to a limit?
 - (c) Identify the concept of giving the Departmental Managers the authority similar to that of the Advertisement Manager.
 - (d) What would you call this situation when the authorities referred to in point 'c' are given to the supervisors.
17. Mr. Bhim Singh is working as a Personnel Manager in a company of Delhi. Although he is not an educated but an experienced person. Before this he has worked on this post in two large companies. His intention is always in promoting an efficient employee to a higher post and in demoting inefficient one to a lower vacant post.
- (i) State on what source of recruitment is Mr. Singh concentrating?

- (ii) What are the benefits of which company is depriving by using this source?
18. ABC Power Ltd. set up a factory for manufacturing solar lanterns in a remote village as there was no reliable supply of electricity in rural areas. The revenue earned by the company was sufficient to cover the costs and risks. The demand of lanterns was increasing day by day, so the company decided to increase production to generate higher sales. For this they decided to employ people from the nearby villages as very few job opportunities were available in that area. The company also decided to open schools and crèches for the children of its employees.
- (i) Identify and explain the objectives of management discussed above.
- (ii) State any two values which the company wanted to communicate to the society.
19. Differentiate between 'Primary Market' and 'Secondary Market' on any four basis.

5 Marks Questions

20. State any 5-limitations of Planning.
21. Sonam is the manager of a large company manufacturing garments for kids. She plans her winter collection in the month of August itself. Then, she ensures that there is adequate work force. She continuously monitors whether the production is proceeding according to plans. She asks the marketing department to prepare their promotional and advertising campaigns also.
- (a) Identify and explain the concept of management explained in the above para.
- (b) What characteristics/feature does the above para highlight? State.
22. Mr. S. Anthony is Production Manager of 'Coconut Oil' and 'General Mills Ltd.' His main virtue is that prior to doing anything, he ponders over it. To explain and analyse different options of each and every activity that is to be undertaken by him in future is his habit. Besides, he quickly brings his subordinates under his own influence. They do what he wants. In spite of all this, for the last few months performance of his department failed to achieve the expected level. This situation put him into lot of worry. To counter this situation, he sought help from some external specialists. Finally he concluded that the poor performance was due to two reasons.
- First, inefficiency of some newly recruited employees and second wear and tear of machines. In order to remove these shortcomings he took the following corrective action.
- (i) To remove inefficiency of employees he established a training centre and gave its charge to an expert trainer.
- (ii) To deal with the wear and tear of machines he decided to replace them with new ones.
- In the context of the above paragraph, answer the following questions.
- (a) Identify, by quoting lines any two functions concerning management taken by Mr. Anthony.
- (b) Identify the two steps of controlling process mentioned here.
- (c) Identify training method.

6 Marks Questions

23. Explain the following Principles of Management.
- (a) Science Not rule of thumb
- (b) Co-operation not Individualism.

24. Shubh Ltd. is manufacturing steel at its plant in India. It is enjoying a buoyant demand for its products as economic growth is about 7%-8% and the demand for steel is growing. The company has decided to set up a new steel plant to cash on the increased demand. It is estimated that it will require about Rs 2000 crore to set up and about Rs 500 crore of working capital to start the new plant.
- (a) State the objectives of financial management of this company.
 - (b) Identify and state the decision taken by the finance manager in the above case.
 - (c) State any two common factors affecting the fixed and working capital requirements of Shubh Ltd.
25. Choice of an appropriate channel of distribution is a very important marketing decision which depends on various factors. Explain such factors.



SAMPLE PAPER 3

SOLUTIONS

1. It refers to translating work in terms of goals to be achieved and assigning the resources to achieve them. (1)
2. It refers to make certain assumptions about the future, which are the base materials upon which plans are to be drawn.
3. Management creates such type of organization which is able to face the regularly changing environment easily.
4. (i) Top Level Management (ii) Determining Objectives (½+½)
5. With inflation, the working capital requirements become higher as larger amount of money is required to maintain a constant volume of production and sales. (1)
6. Working Capital requirements of Harish would be less as it is a MANUFACTURING business. So raw material needs to be converted into finished goods before any sales can become possible. (1)
7. It is possible through establishing Public relations. (1)
8. Right to Safety. (1)
9. Functional structure due to following reasons.
(i) Benefits of specialization (ii) Co-ordination is established (1+2)
10. A good brand name should be
(i) Simple and Short (ii) Easily Pronounceable (iii) Suggestive. (3)
11. (a) Badly expressed message. (b) It comes under 'Semantic barriers'.
(c) Semantic barriers are concerned with problems in the process of encoding and decoding of message into communication symbols. (1+1+1)
12. (i) **Treasury Bill:** It means that short term instrument which the Central Government issues to the financial institutions or the general public in order to meet its short-term financial needs. Usually their maturity period is 14 days, 91 days, 182 days and 364 days. Treasury Bills are of highly liquid nature because the RBI is ever-ready to buy them on discount. They are issued at less than the face value while the payment is made at the face value.
(ii) **Commercial Paper:** Commercial papers are those unsecured Promissory Notes which are issued by well-reputed companies. The minimum face value of a Commercial paper is five lakh rupees. It is used to meet the demand of a short-term seasonal need and the requirement of working capital. They are issued for a period of 15 days to 12 months. (1½+1½)
13. No, I do not agree with this statement. Following are the reasons of it.
(i) **Facilitates Control:** Under supervision, Supervisor keeps a close eye on his subordinates. Whenever he finds any flaws in the work-in-progress, he rectifies them then and there itself. From time to time deviations are noted by comparing actual performance and the desired performance. Corrective measures are taken if the need is felt.
(ii) **Optimum Utilization of Resources:** Under supervision all the activities are closely monitored. In this situation, better utilisation of all the resources like human, material, machinery etc.

takes place. The problem is at once solved because the employees are always under a close watch. As a result they start doing effective work in minimum possible time. (1½+1½)

14. (a)(i) "The court issued the order was most essential" - Legal Environment
 (ii) "Abiding by this order produce any smoke at all".- Technical Environment
 (iii) "The government also announced industrial units".-Political Environment
 (b) Respect to human life. (3+1)

15. Consumer Protection means protection of consumers from the unscrupulous, exploitative and unfair trade practices.

Importance of Consumer Protection from the point of view of consumers:

- 1- Consumer being ignorant 2. Consumer being unorganized
 3- Widespread exploitation of consumers. (1+3) with explanation

16. (a) **Standardisation of work:** It implies fixing the standard for different business activities.
 (b) This situation is known as Delegation of Authority.
 (c) This situation would be called Decentralisation.
 (d) This situation speaks of the expansion of Decentralisation. (1+1+1+1)

17. (i) Mr. Singh is concentrating on internal source of recruitment.
 (ii) By using this method the company is depriving of the following benefits.
 (a) Qualified Personnel (b) Wider Choice (c) Fresh Talent
 (Merits of External Source of Recruitment) (1+3)

18. (i) The company is fulfilling the Organisation and Social objectives of management.
 Organisation objectives include Survival, Profit & Growth.
 Social objectives involve the creation of benefits for the society.
 (ii) Values
 (i) Providing employment opportunities in rural areas (ii) Concern for the environment
 (iii) Socially responsible behavior. (iv) Community development by
 opening schools and creches for children. (any two)
 (2+2)

19.

Basis	Primary Market	Secondary Market
1. Issue	Securities are issued first time	RBI, Banks, Financial Institutions are the main participants.
2. Buying & Selling	Investors can only buy securities	Both Buying & Selling can take place.
3. Parties	Issuing company & buyers	Only investors
4. Specified Place	It has not specified place	It has a fixed place known as stock exchange or any other basis.

20. Limitations of Planning:

1. Planning leads to rigidity. 2. Planning reduces creativity. 3. Planning is a time-consuming process.

4. Planning involves huge costs. 5. Planning does not work in a dynamic environment.

6. Planning does not guarantee success.

(5 with explanation)

21. (a) **Coordination**

It is the force that binds all the functions of management. It is the common thread that runs through all activities such as purchase, production, sales, finance etc. to ensure continuity in the working of the organization.

Co-ordination is not a separate function of management. It is the essence of management. It is implicit and inherent in all function of management.

- Top management plans for the entire organization.
- According to these plans, the organizational structure is developed and staffed.
- In order to ensure these plans are executed according to plans, directing is required.
- Any deviation between the actual and standard are corrected in controlling.

(b) Co-ordination is a continuous process. It begins at the planning stage and continues till the controlling. (5)

22. (a) Planning

"To explore and analyse has become his habit".Leadership

"Besides this own influence".

(b) Analysing deviations

Taking corrective action

(c) Vestibule Training

(2+2+1)

23. (a) **Science Not Rule of Thumb:** Taylor believed that there was one best method of maximizing efficiency. This method could be developed through study and analysis. The method so developed should substitute the "Rule of Thumb" throughout the organization.

(b) **Co-operation not Individualism:** There should be complete co-operation between employees and management instead of individualism. It is an extension of principle of 'Harmony, not Discord.' Management should not close its ears to constructive suggestion by employees but should reward this suggestions, which result in substantial reduction in costs. (3+3)

24. (a) Objectives of financial management of this company are:

- To ensure availability of sufficient funds from different sources at reasonable costs.
- To ensure effective utilization of such funds.
- To ensure safety of funds procured by creating reserves, reinvesting profits etc.

(b) Investment Decision

It relates to how the firm's funds are invested in different assets - fixed assets and working capital.

(c) Factors affecting fixed and working capital requirements of Shubh Ltd.:

(i) **Nature of Business:** Since it is a steel manufacturing company, therefore its fixed capital requirements is high.

Due to manufacturing activity, raw material needs to be converted into finished goods, so working capital requirement is high.

(ii) **Scale of Operations:** Since it is a large scale organization, its fixed capital requirement is more as it needs bigger plant, more space etc.

Due to large scale operations, its working capital requirement will be large because the quantum inventory and cash required will be high.

25. Factors considered while selecting a channel of distribution.

(i) **Considerations Related to product:**

(a) **Unit value of Product:** When the product is very costly, it is best to use small distribution channel.

(b) **Perishability:** A manufacturer should choose minimum/no middlemen as channel of distribution for such an item or product which is of highly perishable nature.

(ii) **Considerations Related to Market:**

(a) **Number of Buyers:** If the number of buyers are large then it is better to take the services of middlemen for the distribution of goods.

(b) **Types of Buyers:** Buyers are of two types General Buyers and Industrial Buyers. If the more Buyers belong to general category then there can be more middlemen and vice versa.

(iii) **Considerations Related to Company:**

(a) **Desire to control the channel of distribution:** If the manufacture has an ambition to control the channel of distribution, customers should be approached directly by manufacturer.

(b) **Financial Strength:** A company which has strong financial base can evolve its own channels. On the other hand, financial weak companies would have to depend upon middleman.