

XII – Business Studies – Revision - MARKING SCHEME

- A.1. She must file her complaint with the State Commission as claim exceeds 20 lakhs but is less than 1 crore.
- A.2. The Right is – ‘The right to be informed’.
- A.3. As technological growth in computer industry is faster, assets may become obsolete sooner than in furniture industry. Hence it requires higher investment in fixed capital in computer industry than in furniture industry.
- A.4. The primary aim of financial management is to maximize shareholder’s wealth.
- A.5. The controlling function of management brings back management cycle to the planning function.
- A.6. Management helps in development of society by (any two):
- (a) Providing good quality products and services.
 - (b) Creating employment opportunities.
 - (c) Adopting new technology for good of people.
- A.7. The managerial activity is – “Co-ordination”.
- A.8. Management principles are contingent.
- A.9. Management principles aim at influencing behaviour of human beings and bring about positive changes in them. Hence management principles are said to be behavioural.
- A.10. Business environment refers to the sum total of all individual institutions and other forces that are outside the control of a business enterprise and may affect its performance.
- A.11. Controlling is the process of comparing actual performance with standards set to find out deviation and take corrective action.
- A.12. Controlling is costly as installation of a control system may involve additional costs to the firm.
- A.13. With reference to the Capital Marker(1x3=3)

- (a) Its two main parts : The primary and secondary market.
- (b) Participants : The main participants in this market are financial institutions, banks, corporate entities, foreign and retail investors.
- (c) Instruments Traded: Equity shares, debentures, bonds, preference shares.

A.14. Planning is the first function of management. Through proper planning new and innovative ideas can be given proper shape and implemented. This will lead to prosperity of the organization.

A.15. Informal organization arises out of network of social relationships. This is a result of social interaction among members of a formal organization,

Demerits (any two):

- (a) Such an organization may become a disruptive force when it gives rise to rumours.
- (b) Pressurizes members to conform to group expectation. Sometimes norms of group may be against organisation's interest.

A.16. (a) The method of training employees at the actual work place is called – “On the job training.”

(b) Two methods of on the job training are

- (i) **Apprenticeship Programme** : Under such programmes the trainee is put under a master worker. This method is designed to help employees a course skills at a higher level. It is suitable method for people seeking to enter skill traits such as electricians, plumbers, etc.
- (ii) **Coaching**: Under this method the superior guides the trainee like a coach or a councilor. The trainee works under the superior's direct supervision so that he is suitably groomed for performing the job assigned to him.

A.17. Three functions of branding are as follows(1x3=3)

- (a) **Enables Making Product Differentiation** : The main function of branding is to distinguish products of a firm from those of its competitors.
- (b) **Helps in Advertising** : Through branding a firm can easily display and advertise its products.
- (c) **Differential Pricing** : Differential pricing of a product from those of competitor becomes possible because of branding.

(d) Ease in Introduction of New Product : When a new product is introduced under an already existing brand name, its marketing becomes easy.

A.18. (a) Controlling motivates employees as clear cut standards for behaviour and performance are laid down. Their performance is periodically measured and this motivates them to improve performance.

(b) Controlling helps in achieving organisation's goals as all operations are continuously monitored in the light of objectives to be achieved. Where there are deviations corrective action is taken.(1.5x2=3)

A.19. Reasons why consumer protection is important are as follows(2x2=4):

(a) **Consumers are Un-organised :** As compared to traders and manufacturers consumers are less organized. The numbers of consumer organization and work done by them for consumer protection are still far from adequate.

(b) **Widespread Exploitation of Consumers :** Consumers are exploited by unscrupulous and unfair trade practices like black-marketing, hoarding, etc. and need protection against malpractices by sellers.

A.20. The function of financial management is – “financial planning”. Financial planning is important to an enterprise because (any three):(1x3=3)

(a) By forecasting future financial events a firm can prepare itself to face uncertainties in a better manner.

(b) Business shocks can be avoided.

(c) Better co-ordination of various business functions like sales and production becomes possible by proper financial planning.

(d) A link between investing and financing decisions becomes possible.

A.21. (i) **Autocratic leadership** is also called authoritative leadership. In this style decision making is centralized and in the hands of the leader himself. He does not consult subordinates in decision making process.

Such style is suitable where subordinates are significantly less qualified and capable compared to the superiors and nature of work is less complex.

(ii) **Democratic or participative leadership** is one who works in consultation with his group. Decisions are not unilateral but taken in consultation with the group.

(iii) **Laissez Faire or free reign leader** does not lead but leaves the group to itself. This style is suitable in organizations where employees are highly skilled and motivated like in research labs.

A.22. The various macro level factors which have an impact on the economic environment prevailing in India are (any four):

- (a) **Stage of Economic Development:** Whether the country is underdeveloped, developing or developed has an impact on the economic environment prevailing in the country.
- (b) **Economic Policies of the Government:** Such as monetary, industrial and fiscal policy affect the economic environment in the country.
- (c) **The Economic Structure:** India is a mixed economy which recognizes the role of both the private and the public sector.
- (d) **Economic Planning:** Such as formulation of 5-year plans, annual budgets has an impact on the economic environment.
- (e) **Economic Indices:** Such as national income, per capital income, growth of GDP, balance of payments, rate of growth of economy affect economic environment.

A.23. Money market is a market for short term securities. The two instruments traded here are (1+2x2=5)

- (a) **Treasury Bill :** It is an instrument of short term borrowing by Government of India maturing in less than one year. It is in the form of a promissory note. It is issued by the Reserve Bank of India on behalf of Central Government to meet its short term requirement of funds. Treasury bills are also called “zero coupon bonds”. They are issued at a price lower than face value and repaid at par. They are highly liquid and have very minimal risk of default.
- (b) **Call Money:** It is used for inter-bank transactions. Call money is short term finance repayable on demand with a maturity period of 1 to 15 days. Commercial banks have to maintain the cash reserve ratio specified by the RBI. So they may resort to interbank borrowings to maintain the same. The rate at which money is borrowed is called the call rate. The money so borrowed is called the call money.

A. 24. Channel of distribution serves as a link between producer and consumer and ensures free flow of goods between them. Hindrances in the form of place and time are removed by transportation and warehousing. The consumer is therefore provided with goods at his place of consumption and as and when demanded by him.

The main functions performed by middlemen are:

- (a) **Sorting:** Middlemen sorts goods according to their quality, size and nature. He is thus able to sell them at different prices depending on their qualities.
 - (b) **Accumulation :** Middlemen accumulate huge quantities of homogeneous stock and thereby ensure regular flow of goods.
 - (c) **Allocation:** The bulk of homogenous stock is broken into smaller and marketable lots.
 - (d) **Assorting:** Middlemen build up an assortment of product for resale. Product of different manufacturers and various combination of products are collected and provided to satisfy needs of consumers.
- A.25 (a) The main functions performed by Anup as a manager would be planning, organizing, directing, staffing and controlling.
- (b) Yes, I agree with Anup's approach. He comes across as a humane and effective manager. He is effective as he is sure of accomplishing the task. He also cares for his subordinates as he creates opportunity for better wages and incentives to be given to them. Overall he is a competent manager.
- A. 26. (a) Science not Rule of Thumb: Taylor advocated the application of scientific principles into the practical application of management. He believed that managers should not rely on personal judgement but must use scientific methods to solve problems of an organization. He believed in the scientific way of doing work which involved maximum productivity with least effort. Spoilages and wastages could also be completely eliminated with the use of scientific methods and practices.
- (b) **Espirit de Corps:** Fayol put forth the principle of *Espirit decorps*. This principles holds that management must always try to promote a spirit of oneness among employees. Team spirit will ensure better co-ordination and co-operation among employees and they will work together to achieve goals of the organization.
- A.27. (a) Zero channel or direct channel is the simplest and shortest mode of distribution from producer to consumer.
- (b) Two other methods of distribution are:
1. One level channel: There is only one intermediary. The retailer functions in between manufacturer and consumer.

2. Two level channel. There are two intermediaries between the producer and consumers i.e. the wholesaler and retailer.
- (c) Factors which affect choice of channel of distribution:
1. Products Related Factors: Product is a major determinant of channel of distribution. Whether a product is an industrial or consumer product or whether is perishable or non-perishable also determines choice of channel. Generally short quick channels are chosen for perishable goods.
 2. Company Related Characteristics: Resources with the company also determine channel of distribution. Companies with huge funds generally go for short channels and have their own retail outlets. Others with lesser resources may employ intermediaries for distribution.
 3. Competitive factors: Channel chosen by competitors may also be used for companies as distribution by this method is easy. However, some companies resort to a channel different from that of the competitors to give a different brand images to the product.

OR

- (a) Milk in plastic sachets is an example of primary level packaging.
- (b) Packaging is important because.
1. Better Quality: By proper packaging spoilage and adulteration is minimized and desired quality can be maintained.
 2. Product promotion: Packaging acts as a 'silent salesman' and attract consumer. This is more in case of self service outlets.
 3. Product Differentiations: The colour, size, material etc of packaging can make a difference in perception of customer about the products quality.
- (c) Packaging's basic motive is to protect the product from breakage, spoilage or damage. Labeling functions to provide information to the consumer about the product, about quality, price, direction and use etc. Labels may be attached directly to the product or may be a part of package.

A.28. (a) The decision is "Dividend decision".

(b) Factors affecting dividend decisions are:

1. Earnings: Earnings past and current determine the amount to be distributed as dividend. If there are more earnings more amount can be distributed as dividend.
2. Growth Opportunities. If there are opportunities for a company to grow, it may retain its earnings for this purpose and distribute less dividend.
3. Stock Market Reaction: Stock prices of a company generally rise when dividend is declared and vice versa. So impact of dividend policy on stock market is analyzed before a dividend decision is made.
4. Legal provisions: Legal provisions such as provisions in the Companies Act 1956 must be adhered to before payment of dividend.
5. Contractual considerations: If the company has entered into a loan agreement, the lender may impose restrictions on payment of dividend. Such restrictions cannot be violated by the company.

OR

- (a) The decision of financial management which relates to quantum and source of funds is “financing decision”.
- (b) Factors affecting financing decisions are:
 1. Cost: The cost of source of finance is analyzed and the cheapest source is chosen.
 2. Risk: Risk from various sources are analyzed and source with minimum risk chosen.
 3. Floatation cost: Generally companies find sources with high floatation costs as an unattractive source.
 4. Cash flow position: If cash flow position is strong, companies can opt for debt financing rather than raising funds through equity.
 5. Levels fixed Operating Costs: If fixed costs of a business like insurance premium is high, a company may resort to lower debt financing and employ more equity in its capital structure.

A.29.

- (a) A multi-product company must implement a “divisional structure”.
- (b) A functional structure is suitable for large organisations with diverse activities and high degree of specialization.
- (c) Difference is as follows:

Basis	Functional Structure	Divisional Structure
Formation	Based on functions performed	Formation is based on product lines and supported by function
Specialization	Functional specialisation	Product based specialization

Responsibility	Difficult to fix responsibility	Easy to fix responsibility for performance
Cost	Functions are not duplication hence economical	Duplication of resources in departments hence costly.

OR

- (a) In a centralized organisation decision making authority lies with the top management.
 (b) As the organization grows in size and becomes more complex the organization is – “decentralized”.

Decentralization is important for an organization due to following reasons:

- 1. Effective Management:** When the organization is decentralized the management can concentrate on more important tasks and hence their efficiency improves.
- 2. Employee development:** In a decentralized set up employees can use their skills and gain experience and train themselves for occupying higher posts.

(c) Difference between two structure are as follows

Basis	Centralization	Decentralization
Nature	All major decision making activities and plans are executed by the top management	Decision making authority is shared with lower levels
Purpose	To retain control and authority over the organisation	To increase efficiency when organization grows in size. Decision making authority is granted to lower and middle level also.

A.30:

- 1. Estimating Manpower Requirements:** The first step in the staffing process involves understanding the number of vacancies – present and future in the organisation and the quality of people required to fill up those vacancies. Workload analysis or analysis of tasks to be performed together with workforce analysis - analysing number of people required to work in an organisation.
- 2. Recruitment:** It is the process of searching for perspective employees and stimulating them to apply. For various jobs in the organization the main aim of recruitment is to create a pool of suitable candidates. Recruitment is said to a positive process as it invites prospective employees to apply for position in the organisation.

3. **Selection:** Selection from the pool of candidates created at the recruitment stage, the most suitable candidate is chosen on basis of quality, commitment and attitudes. Before selecting an employee various tests are conducted and interviews are taken based on nature of job for which selection process is undertaken. The chosen candidate is given offer of employment which contains terms of job.
4. **Placement and Orientation:** Placement involves induction of employees into the post he is selected for. He is briefed about the nature of job to be performed by him and nature of responsibilities he has to fulfill. Orientation involves familiarising employee with rules and policies of organisation.
5. **Training and Development:** Training and development facilitate employee learning. Organisation may have in house training centre or tie ups with organisations where specialized training is given to employees. The benefit of training and development is that employee develops skills, becomes job fit and motivated. His efficiency and effectiveness also improve and career development opportunity is provided to selected employee.

OR

- (a) Internal and external sources.
- (b) Merits of either internal or external sources. Any four points