Central Board of Secondary Education

SAMPLE PAPER

Class 12

2024



Solutions

MARKING SCHEME

BUSINESS STUDIES (054)

Class XII (2023-24)

	Answers:	Marks
1	d) Favourable financial leverage as return on investment is higher than cost of debt	1
2	d) Labelling	1
3	b) Social environment	1
4	c) Customer support services	1
5	a) Regulatory function	1
6	a) Management helps in achieving group goals	1
7	b) Earning higher rate of return to household sector	1
8	c) Controlling	1

9	c) If firm wants to attain product quality leadership, it should charge lower prices	1
10	b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).	1
11	d) Centralisation	1
12	d) Measurement of actual performance	1
13	b) Statement II is true and I is false	1
14	a) It enables the firm to identify opportunities and getting the first mover advantage.	1
15	c) Organising	1
16	b) Statement II is true and I is false	1
17	d) Social and Technological Environment	1

18	a) A (3), B (1), C (4), D (2)	1
19	c) Based on practice and creativity	1
20	b) Reduce the prices of real estate	1
21	**The importance of management highlighted:** 1. Helps in achieving personal objectives– A manager motivates and leads his team in such a manner that individual members are able to achieve personal goals while contributing to the overall organizational goals. 2. Helps in the development of society**-** The organisation tries to behave as responsible constituent of society and always creates good quality products. 3.Creates a dynamic organisation- Organisations have to function in a constantly changing environment. Management helps people adapt to the changes so that organisation is able to maintain a competitive edge.	1/2mark each for identification and 1/2 mark each for stating 3 identified points
22	Importance of controlling: (Any Three) 1. The controlling function measures progress towards the organisational goals and brings to light the deviations, if any, and indicates corrective action. 2. A good control system enables management to verify whether the standards set are accurate and objective. 3. By exercising control, a manager seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with predetermined standards and norms. 4. A good control system ensures that employees know well in advance what they are expected to do and what are the standards of performance on the basis of which they are appraised. 5. Controlling creates an atmosphere of order and discipline in the organisation. 6. Controlling provides direction to all activities and efforts for achieving organizational goals**.** **OR**	1 mark each for stating any 3 points

	ADVANTAGES OF MANAGEMENT BY EXCEPTION: 1) It saves the time and efforts of managers as they deal with only significant deviations 2) It focuses managerial attention on important areas. There is better utilization of managerial talent. 3) The routine problems are left to the subordinates. Thus, it facilitates delegation of authority and increases morale of employees. 4) It identifies critical problems which need timely action to keep the organisation in right direction.	1 mark each for stating any 3 points
23	The step of staffing process which has not been performed properly is: (i)Estimation of manpower requirements: Operationally, understanding the manpower requirements would necessitate workload analysis on the one hand and workforce analysis on the other. (ii)The next stage immediately following the step Estimation of manpower requirement is as follows: Recruitment: Recruitment may be defined as the process of searching for prospective employees and stimulating them to apply for jobs in the organisation.	1 mark for identification and I mark for explanation + 1 mark for explaining next step

24	Functions of Stock Exchange 1. Stock exchange provides liquidity and marketability to existing securities by creating a continuous market where securities are bought and sold. It gives them the chance to invest and disinvest 2. A stock exchange is a mechanism of constant valuation through which the prices of securities are determined by the market forces of demand and supply. 3. The membership of a stock exchange is well regulated and well defined according to the existing legal framework, thereby ensuring a safe and fair deal to investors in the market. 4. Through the process of disinvestment and reinvestment savings get channelised into the most productive investment avenues leading to capital formation and economic growth. 5. Stock exchange ensures wider share ownership by regulating new issues, better trading practices and taking effective steps in educating the public about investment. 6. Stock exchange provides sufficient scope for speculative activity in restricted and controlled manner. OR The first 3 steps in screen-based trading in securities 1. Investor has to first approach a registered broker and enter into agreement. He has to open a broker- client agreement and a client registration form before placing the order. He has to provide few details like PAN number, date of birth and address, educational qualification and occupation, Residential status,Bank account details, Depository account details,name of any other broker with whom registered, client code number in the client registration form. The broker opens a trading account in the name of investor. 2. The investor has to open a demat account or beneficial owner account with a depository participant for holding and transferring securities in the demat form. 3. The investor places an order with the broker to buy or sell shares. Clear instructions have to be given about the number of shares and price at which shares can be bought or sold. The broker will go ahead with the deal to mention the best price available. Order confirmation slip is issued to the investor by the broker.	1 mark each for stating any 3 points OR 1 mark each for stating each step

25	a) Directinginitiates action-Directing is a key managerial function. A manager has to perform this function along with planning, organizing, staffing and controlling while discharging his duties in the organization. b) Directing is a continuous activity- It takes place throughout the life of organization irrespective of people occupying managerial positions. OR a) Autocraticor Authoritarian leadership style-An autocratic leader gives orders and expects his subordinates to obey those orders. This leadership style is effective in getting productivity in many situations like in a factory where the supervisor is responsible for production on time and has to ensure labour productivity. Quick decision-making is also facilitated. b) Laissez fair or Free-rein leader-Such a leader does not believe in the use of power unless it is absolutely essential.The followers are given high degree of independence to formulate their own objectives or ways to achieve them. The manager is only there to support them and supply them the required information to complete the task assigned.	2 marks each for explaining points. 2 marks each for explaining leadership styles

26	Limitations of using internal sources of recruitment are as follows: 1. When vacancies are filled through internal promotions, the scope for induction of fresh talent is reduced. Hence, complete reliance on internal recruitment involves danger of 'inbreeding' by stopping 'infusion of new blood' into the organization. 2. The employees may become lethargic if they are sure of time bound promotions; 3. A new enterprise cannot use internal sources of recruitment. No organisation can fill all its vacancies from internal sources; 4. The spirit of competition among the employees may be hampered; and 5. Frequent transfers of employees may often reduce the productivity of the organisation. OR <u>Commonly used sources of recruiting the employees from outside the organization</u> (any 4) <u>Direct recruitment</u>- A notice is placed on the notice board of the enterprise specifying the details of the jobs available. Job-seekers assemble outside the premises of the organisation on the specified date and selection is done on the spot. It is suitable for filling casual vacancies when there is a rush of work or when some permanent workers are absent. <u>Casual Callers -</u> Many reputed business organizations keep a database of unsolicited applicants in their offices. A list of such job-seekers can be prepared and can be screened to fill the vacancies as they arise. Most of the senior positions of industry as well as commerce are filled by this method. The advantage of advertising vacancies is that more information about the organization and job can be given in the advertisement. . <u>Employment exchange-</u> Employment exchange run by a government are a good source of recruitment for unskilled and skilled operative jobs. They help to match personnel demand and supply by serving as a link between job-seekers and employers. <u>Placement Agencies and management consultants-</u> Placement agencies provide a nationwide service in matching personnel demand and supply. Management consultancy firms help the organization to recruit technical, professional and managerial personnel. <u>Campus recruitment-</u>Many big organisations maintain a close liaison with the universities, vocational schools and management institutes to recruit qualified personnel for various jobs. <u>Recommendation of employees</u> – Applicants introduced by present employees, or their friends and relatives may prove to be a good source of recruitment. Such applicants are likely to be good	1 mark each for stating any 4 limitations 1 mark each for stating any 4 external sources

	employees because their background is sufficiently known. Labour Contractors – Labour contractors maintain close contacts with labourers and they can provide the required number of unskilled workers at short notice. Advertising on Television- The detailed requirements of the job and the qualities required to do it are publicized along with the profile of the organization where vacancy exist . Web publishing- Internet is becoming a common source of recruitment these days. There are certain websites specifically designed and dedicated for the purpose of providing information about both job-seekers and job opening.	

27	a) Right to be informed :Every consumer has a right to have complete information about the product he intends to buy including its ingredients, date of manufacture, price, quantity, directions for use etc. b) Right to seek redressal: This states that every consumer has the right to get relief in case the product or service falls short of expectations.	1 mark each for identification + 1 mark each for explanation

28	Taxation policy: If tax on dividend is higher, it is better to pay less by way of dividends. Though dividends are free of tax in the hands of shareholders, a dividend distribution tax is levied on companies. Under the present tax policy, shareholders are likely to prefer higher dividends. Cash flow position: The payment of dividend involves an outflow of cash. Availability of enough cash in the company is necessary for declaration of dividend.	2 marks each for explaining

29	**1.** Media- It is the path through which encoded message is transmitted to receiver. The channel maybe in the written form, face to face, phone call, internet. **2.** Encoding- It is a process of converting the message into communication symbols like words, pictures, gestures etc. 3**.** Decoding- It is a process of converting encoded symbols of the sender. 4.Receiver- The person who receives communication of the sender.	½ mark each for identification and ½ mark for stating

30	Mr Aariketh Acharya has suggested capital budgeting decision. Reasons why he must have advised this decision are: 1. These decisions have bearing on the long-term growth. They affect the future prospects of the business. 2. These decisions result in large portion of funds being blocked in long term projects, these investments are planned after a detailed analysis. 3. These decisions affect the returns of the firm, therefore influence the overall business risk complexion of the firm. 4. These decisions once taken, are not reversible without incurring heavy losses. Abandoning a project after heavy investment is costly in terms of waste of funds.	1 mark for identification + 1 mark each for stating any 3 points

31

a) Method Study: The objective of method study is to find out one best way of doing the job. There are various methods of doing the job. To determine the best way there are several parameters. Right from procurement of raw materials till the final product is delivered to the customer every activity is part of method study. The objective of the whole exercise is to minimise the cost of production and maximise the quality and satisfaction of the customer. For this purpose, many techniques like process charts and operations research etc., are used.

b) Motion Study: Motion study refers to the study of movements like lifting, putting objects, sitting and changing positions etc., which are undertaken while doing a typical job. Unnecessary movements are sought to be eliminated so that it takes less time to complete the job efficiently. On close examination of body motions, for example, it is possible to find out: (i) Motions which are productive (ii) Motions which are incidental (e.g., going to stores) (iii) Motions which are unproductive.

c) Time Study: It determines the standard time taken to perform a well-defined job. Time measuring devices are used for each element of task. The standard time is fixed for the whole of the task by taking several readings. The method of time study will depend upon volume and frequency of the task, the cycle time of the operation and time measurement costs. The objective of time study is to determine the number of workers to be employed; frame suitable incentive schemes and determine labour costs.

11/2 marks each for explaining any 2 techniques
+
1 mark each for any 3 differences

b)

BASIS	UNITY OF COMMAND	UNITY OF DIRECTION
1.Meaning	One subordinate should receive orders from and should be responsible to only one superior.	Each group of activities having same objective must have one head and one plan
2.Aim	It prevents dual subordination.	It prevents overlapping of

		activities
3.Implications	It affects an individual employee	It affects the entire organisation.

OR

a. Discipline: Discipline is the obedience to organisational rules and employment agreement which are necessary for the working of the organisation. According to Fayol, discipline requires good superiors at all levels, clear and fair agreements and judicious application of penalties.

b. Order: According to Fayol, "People and materials must be in suitable places at appropriate time for maximum efficiency." The principle of order states that 'A place for everything (everyone) and everything (everyone) in its (her/his) place'.If there is a fixed place for everything and it is present there, then there will be no hindrance in the activities of business/ factory. This will lead to increased productivity and efficiency.

c. Initative: Workers should be encouraged to develop and carry out their plans for improvements according to Fayol. Initiative means taking the first step with self-motivation. It is thinking out and executing the plan. Initiative should be encouraged. But it does not mean going against the established practices of the company for the sake of being different. A good company should have an employee suggestion system whereby initiative/ suggestions which result in substantial cost/time reduction should be rewarded.

11/2 marks each for explaining any 2 principles
+
1 mark each for any 3 differences

II.

Basis of Difference	Henri Fayol	F.W Taylor
Perspective	Top level of Management	Shop floor level of a factory.
Unity of Command	Staunch Proponent	Did not feel that it is important as under functional foremanship a worker receives

		orders from eight specialists
Applicability	Applicable Universally	Applicable to specialized situations
Basis of Formation	Personal Experience	Observation and Experimentation
Focus	Improving Overall administration	Increasing Productivity
Personality	Practitioner	Scientist
Expression	General theory of Administration	Scientific Management

32	Steps in planning process 1. Setting objectives: Objectives or goals specify what the organisation wants to achieve. They give direction to all departments and must be stated clearly. They may be set for the entire organisation and each department within the organisation 2. Developing premises: Planning is concerned with future which is uncertain, therefore manager has to make certain assumptions about future. Assumptions are base material upon which plans are drawn which may be in the form of forecasts, existing plans or past information about policies. 3. Identifying alternative courses of action: Once objectives are set and assumptions are made, next step is to identify alternative courses of action. The course of action may be routine or innovative. An innovative course may be adopted by involving more people and sharing their ideas. OR 1) **Planning reduces overlapping and wasteful activities** Planning serves as a basis of coordinating the activities and efforts of different divisions, departments and sections. Since planning ensures clarity in thought and action, work is carried out smoothly without interruptions. **2) Planning establishes standards of controlling** Planning provides the goals against which actual performance is measured. Through comparison, managers can know whether they are actually able to achieve the goals. Deviations, if any can be corrected. Thus planning is a prerequisite for controlling. The nature of deviations depends upon the extent of deviations from the standard. **3) Planning facilitates decision making** Planning helps managers to look into the future and make a choice from amongst various alternative courses of action. The manager has to evaluate each alternate and select the most viable proposition.	2 marks each for explaining first 3 steps 2 marks each for explaining 3 points

33	a) The function of marketing that enables the marketer to achieve its goals is Transportation. It involves physical movement of goods from one place to another. Since the user of products are wide spread and geographically separated from the place where they are produced it is necessary to move them to the place where they are needed for consumption. b)The factors that should be taken into consideration to analyse the marketing needs are nature of the product, cost and location of target market. c) The function of marketing that reduces the gap between production and consumption of paddy is Storage or Warehousing. Due to irregular demand or supply, there may be time gap between production of goods and their sale. Storage helps in reducing the time gap between production and consumption and provides time utility. Importance of warehousing: 1. To ensure smooth flow of products in the market 2. To protect against any unavoidable delays in delivery or meet contingencies in demand.	a)1 mark for identification + 1 mark for stating b)½ mark each for enumerating any 2 points c)1 mark for identification + 1 mark for stating + 1/2 mark each for stating any 2points

34	a) The organisational structure adopted by Diligent Developers is Functional structure . Functional structure is an organisational design that groups similar or related jobs together. b) Benefits of functional structure: 1) It leads to occupational specialization since emphasis is placed on specific functions.This promotes efficiency in utilization of manpower as employees perform similar tasks within a department and are able to improve performance. 2) It promotes control and coordination within a department because of similarity in the tasks being performed. Limitations of functional structure: (a) A functional structure places less emphasis on overall enterprise objectives than the objectives pursued by a functional head. Such practices may lead to functional empires wherein the importance of a particular function may be overemphasised. Pursuing departmental interests at the cost of organisational interests can also hinder the interaction between two or more departments. (b) It may lead to problems in coordination as information has to be exchanged across functionally differentiated departments	a. 1 mark for identification + 1 mark for stating b 2 marks each for stating 2 points of benefits and limitations.