Business Studies Class 12 (2019-20)

Marking Scheme

1. c). both science and art.
2. Coordination.
3. a). Applicable only in large firms.
4. a). The extent and nature of government intervention in business
5. b). Selecting an alternative
6. b). Span of management.
7. a). Direct recruitment
8. a). Employer paid Insurance
9. b). Personal barrier
10. B) Leadership
11. A) Revise the schedule

12.c) Investment decision

13 a). Trading on equity.

14 d) Financing decision

15 a). Protective function

16 C). Production

17 c) Product

18 c) labelling

19 False

20. d) None of the above.

21. Following are the tasks that Mr. Armstrong needs to perform as a production manager in his firm to carry out the plans laid down by the Top managers: (Any three)

i. Interpret the policies framed by top management.

ii. Ensure that the production department has the necessary personnel.

iii. Assign necessary duties and responsibilities to them.

iv. Motivate them to achieve the desired objectives.

v. Cooperate with other departments for the smooth functioning of the organization.

OR

Following are the economic objectives of management

1) Survival
2) Profit
3) Growth. (3marks)

22 Three elements of delegation are-

1. Authority- Right of an individual to command his subordinates & to take action within the scope of his position. It is right to take decisions inherent in a job position.
2. Responsibility- it is the obligation of subordinate to properly perform the assigned duty. It arises from superior subordinate relationship. It flows upwards.
3. Accountability implies being answerable for the final outcome, i.e. subordinate will be answerable to superior for satisfactory performance of work.

(1/2 mark for heading and ½ mark for explanation) (1x3 =3)

23. Controlling. (1 mark)

It is considered an indispensable function of management because of the following reasons (Any two):

i. Accomplishing organizational goals.

ii. Judging accuracy of standards.
iii. Making efficient use of resources.
iv. Improving employee motivation.
v. Ensuring order and discipline.
vi. Facilitating coordination in action. (1x2=2)

24 a) Public relations- It involves variety of activities designed to promote or protect company's image & its individual products in the eyes of public. (1/2 mark for identification and ½ mark for explanation) (1 mark)

b) Any two of the following are the promotional tools which may also be used:

i) Advertising

ii) Personal Selling

iii) Sales promotion (1/2 mark for heading and ½ mark for explanation) (1x2 = 2)

25. a. Right to be heard

b. Right to seek redressal

c. Right to consumer education (1x3=3)

26. Following are the points of importance of understanding Business Environment discussed: (Any two)

1. "Improve existing card facility--------"- It helps the firm in identifying threat and early warning signal."
2. "Exploit opportunity arising-------" – It helps to identify opportunities and get first mover advantage.
3. "Improve their performance---"- It helps in improving performance.
4. "Planned to hire more-----guidelines to train sales force" –It helps in assisting in planning and policy formulation.

(1/2 mark for quoting, ½ mark for identification, 1 mark for explanation) (2x2=4)

27. a). Importance of Decentralisation are- (Any two)

1. Develops initiative among subordinate- It helps to promote- self-reliance & confidence among subordinates.
2. Develops managerial talent for the future- Decentralisation gives subordinates a chance to prove their abilities & creates a reservoir of qualified workforce.
3. Quick decision making- Since decisions are taken at the points of action. Therefore, no approval of superiors & leads to quick decision making.
4. Relief to top management- Decentralisation diminishes the amount of direct supervision exercised by superior over his subordinates because they are given freedom to act within the limits set by top management & top management can concentrate on important policies.

(1/2 mark for identification and 1 ½ mark for explanation) (2x2=4)

b). Divisional structure- In a divisional structure, the organisation structure comprises of separate business units or divisions. Each division is self-contained as it develops expertise in all functions related to a product line

(1/2 mark for naming and ½ mark for explanation)

28- Factors affecting price determination-(any four)

1. Product cost- One of the most important factors affecting the price is its cost. It includes cost of producing, distributing & selling the product.
2. Utility& Demand- The product cost set the lower limit of price, the utility provided by the product &intensity of demand of product sets the highest price of the product.
3. Extent of competition in the market- when firm does not face any competition it has complete freedom in fixing up the price. But when competition is more the price of the product is fixed keeping in mind the competitor's price.

4. Government regulations- In order to protect the interests of the consumers government has all rights to control prices of important commodities & services.
5. Marketing methods used- The price of product is also affected by the methods & techniques used to promote the product.
6. Pricing objectives- Apart from profit maximization other objectives are-
    a. Obtaining market share leadership-If firm wants to capture big share of market it has to keep its price low.
    b. Surviving in competitive market- To survive in a competitive market the firm has to offer discounts.
    c. Attaining product quality leadership- Generally high prices are charged to cover cost of R&D.

(1 mark for each statement) (1x4=4)

OR

The following are the components of physical distribution:

1. Transportation is the means of carrying goods and raw material from the point of production to the point of sale.
2. Warehousing refers to the act of storing and assorting products in order to create time utility in them.
3. Inventory Control- A very important decision in respect of inventory is deciding the level of inventory.
4. Order Processing- A good physical distribution system should provide for an accurate and speedy processing of orders.

(1 mark for each statement) (1x4=4)

29. Time Study- It determines the standard time taken to perform a well-defined job. 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 task, the cycle time of operation and time measurement costs.

For example- On the basis of several observations it is determined that standard time taken by the worker to make one cardboard box is 20 minutes. So in one hour she/he will make 3 boxes. Assuming that a worker has to put in 8 hours of work in a shift and deducting one hour for rest and lunch, it is determined that in 7 hours a worker makes 21 boxes @ 3 boxes per hour. Now this is the standard task a worker has to do. Wages can be decided accordingly.

(1 mark for naming and 4 marks for explanation)

OR

Differential Piece Wage System- The standard time and other parameters should be determined on the basis of the work study discussed above. The workers can be classified as efficient and inefficient on the basis of these standards. He wanted to reward the efficient workers. So he introduced different rate of wage payment for those who performed above standard and for those who performed below standard.

For example- it is determined that standard output per worker per day is 10 units and those who made standard or more than standard will get Rs. 50 per unit and those below will get Rs. 40 per unit. Now an efficient worker making 11 units will get 11x50= Rs. 550 per day whereas, a worker who makes 9 units will get 9x40= Rs. 360 per day. According to Taylor, the difference of Rs. 190 should be enough for the inefficient worker to be motivated to perform better.

(1 mark for naming and 4 marks for explanation)

30. Standing plans are used for activities that occur regularly over a period of time. It is designed to ensure that internal operations of an organisation run smoothly. (1 mark)

Single use plans- A single use plan is developed for a one-time event or project. Such a course of action is not likely to be repeated in the future.. (1 mark)

The following type of plans discussed above are classified as standing plans:

i. "changing the vendors……."- Policy is a general statement that guides thinking or channelizes energies towards a particular direction.

ii. "Seminar for higher levels……supervisory management"- Method provides the prescribed ways or manner in which a task has to be performed considering the objective.

iii. "Attending the meeting not discretion---------- penalty"- Rules are specific statements that inform what is to be done. (1/2 mark for quoting; ½ mark for explaining) (1x3=3)

31. Meaning- Decision to invest in fixed assets are known as capital budgeting decision. (1 mark)

Factors affecting fixed capital requirement- (Any four)

1. Nature of business- The type of business has a bearing upon the fixed capital requirement.
2. Scale of operation- A larger organization requires higher investment in fixed capital.
3. Choice of technique- A capital intensive organization requires higher investment in plant and machinery.
4. Technology upgradation- Such organisations which use assets which are prone to obsolescence require higher fixed capital.
5. Growth prospects-Higher growth of an organization generally requires higher investment in fixed assets.
6. Diversification- With diversification the fixed capital requirements increase.
7. Financing alternatives- Availability of leasing facility may reduce the funds required to be invested in fixed assets.
8. Level of collaboration- Collaboration reduces the level of investment in fixed assets.

(1 mark for each statement) (1x4=4)

OR

Importance of financial planning: (Any five)

1. It helps in forecasting what may happen in the future.
2. It helps in avoiding business shocks and surprises.
3. It helps in coordinating various business functions.
4. Reduce wastage, duplication of efforts.
5. It links present with the future.
6. It provides link between investment and financing decision.
7. It makes measurement of actual performance easier.

(1 mark for each statement) (1x5=5)

32. Staffing (1 mark)

Proper staffing ensures the following benefits to the organization-

(i) helps in discovering and obtaining competent personnel for various jobs;

(ii) makes for higher performance, by putting right person on the right job;

(iii) ensures the continuous survival and growth of the enterprise through the succession planning for managers;

(iv) helps to ensure optimum utilisation of the human resources. By avoiding overmanning, it prevents under-utilisation of personnel and high labour costs. At the same time it avoids disruption of work by indicating in advance the shortages of personnel; and

(v) improves job satisfaction and morale of employees through objective assessment and fair rewarding of their contribution.

(1 mark for each statement)

33. Directing refers to the process of instructing, guiding, counselling, motivating and leading people in the organisation to achieve its objectives. (2 mark)

The points of importance of directing are any four:-

(i) Directing helps to initiate action by people in the organisation towards attainment of desired objectives.

(ii) Directing integrates employees' efforts in the organisation in such a way that every individual effort contributes to the organisational performance. Thus, it ensures that the individuals work for organisational goals.

(iii) Directing guides employees to fully realise their potential and capabilities by motivating and providing effective leadership

(iv) Directing facilitates introduction of needed changes in the organisation.

(v) Effective directing helps to bring stability and balance in the organisation since it fosters cooperation and commitment among the people and helps to achieve balance among various groups, activities and the departments.

(1 mark for each statement)

OR

Motivation- Motivation means incitement or inducement to act or move. It means the process of making subordinates to act in a desired manner to achieve certain organisational goals. (2 mark)

Features of motivation-

1. It is an internal feeling.
2. It produces goal directed behavior.
3. It can be either positive or negative.
4. It is a complex process.

(1 mark for each statement)

34. Method of floatation used is **offer for sale**- In this method securities are not offered directly to the public but are offered for sale through intermediaries like stock brokers. (1 mark for identification and 1½ mark for explanation)

Other methods are-

1. Offer through prospectus- This method involves inviting subscription from public through prospectus. The issue may be underwritten & has to be listed with one stock exchange.
2. E-IPO-A company proposing to issue capital to the public through online system of stock exchange.

(1/2 mark for naming and 1 and ½ mark for explanation)

OR

a. The steps discussed in above para are-

1. Selection of broker- The buying & selling can be through SEBI broker. The first step is to select a broker who will buy/sell securities on behalf of investor.
2. Opening DEMAT account with a depository participant. (1x2=2)

b. The next four steps of the trading procedure:

1. **Placing an order**- Investor places an order with the broker to buy or sell shares. Brokers go ahead with the deal & order confirmation slip is issued to the investor by the broker.
2. **Match the order**- The broker will go online& match the share & the price.
3. **Executing order**- When the shares can be bought & sold at the price mentioned it will be communicated to the broker terminal & order will be executed electronically. The broker will issue trade confirmation slip to investor.
4. **Issue of contract note**- After the trade has been executed within 24 hours the broker issues contract note. It contains details regarding no. & price of shares.

(1 mark for each statement)