



BK BIRLA CENTRE FOR EDUCATION
SARALA BIRLA GROUP OF SCHOOLS
SENIOR SECONDARY CO-ED DAY CUM BOYS' RESIDENTIAL SCHOOL



PRE BOARD- 1 (2024-25)

BUSINESS STUDIES (054)

MARKING SCHEME

Class : XII Commerce

Date : 13/11/2024

Duration: 3hrs.

Max. Marks: 80

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| 1. | (b) Coordination is an all pervasive function. | (1) |
| 2. | (b) Management creates a dynamic organization | (1) |
| 3. | (d)Both the statements are true | (1) |
| 4. | (a)Both Assertion (A) and the Reason (R) are true and Reason (R) is the correct explanation of Assertion (A) | (1) |
| 5. | (c) Technological dimension and Political dimension | (1) |
| 6. | (c) Legal environment | (1) |
| 7. | (a)Both Assertion (A) and the Reason (R) are true and Reason (R) is the correct explanation of Assertion (A) | (1) |
| 8. | (d) Assignment of duties | (1) |
| 9. | (b) Decentralisation | (1) |
| 10. | (c) Both are essential | (1) |
| 11. | (d) Controlling | (1) |
| 12. | (b) Working Capital Decision | (1) |
| 13. | (d) Assertion (A) is False but Reason (R) is True. | (1) |
| 14. | (a) Protective functions | (1) |
| 15. | (c)Secondary Market | (1) |
| 16. | (a) Zero level channel | (1) |
| 17. | (c) Marketing Mix | (1) |
| 18. | (b) Sales Promotion | (1) |
| 19. | (a) Primary Packaging | (1) |
| 20. | (b) a (ii) b (iii) c (i) d (iv) | (1) |
| 21. | (a) Top Level of Management [1+2] (b) <u>The functions</u> to be performed by Amar are: (i) He is responsible for the welfare and survival of the organization. (ii) He formulates overall organizational goals and strategies for their achievement. OR Coordination: The process by which a manager synchronizes the activities of different departments is known as coordination. Coordination is the force that binds all the other functions of management. It is the common thread that runs through all activities. It is implicit and inherent in all functions of an organization.[1+2] | (3) |
| 22. | Recruitment: the process of searching for prospective employees and stimulating them to apply for jobs in an organisation. Internal Sources: (i) Transfers: It involves shifting of an employee from one job to another, one department to another or from one shift to another, without a substantive change in | (3) |

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| | <p>the responsibilities and status of the employee.</p> <p>(ii) Promotions: the practice of filling higher jobs by promoting employees from lower jobs. Shifting an employee to a higher position, carrying higher responsibilities, facilities, status and pay. [1+1+1]</p> <p style="text-align: center;">OR</p> <p>1. Preliminary Screening: This is the initial stage of the selection process. Its purpose is to filter out candidates who do not meet the minimum qualifications and requirements for the management position. The screening helps save time and resources by focusing only on eligible candidates.</p> <p>2. Selection Tests: These tests are assessments that evaluate candidates' aptitude, skills, and abilities related to the managerial role. These tests help assess a candidate's cognitive abilities, problem-solving skills, critical thinking, and domain knowledge.</p> <p>3. Employment Interview: It is a crucial step in the selection process. It allows the organization to assess your communication skills, interpersonal qualities, cultural fit, and enthusiasm for the position. It also provides an opportunity to learn more about the company and the role. [1+1+1]</p> | |
| 23. | <p>1. Management by Exception: It is often referred to as control by exception, is an important principle of management control based on the belief that an attempt to control everything results in controlling nothing. Thus, only significant deviations which go beyond the permissible limit should be brought to the notice of management. If the plans lay down 2 per cent increase in labour cost as an acceptable range of deviation only increase in labour cost beyond 2 per cent should be brought to the notice of the management.</p> <p>2. Critical Point Control: It is neither economical nor easy to keep a check on each and every activity in an organisation. Control should, therefore, focus on key result areas (KRAs) which are critical to the success of an organisation. These KRAs are set as the critical points. If anything goes wrong at the critical points, the entire organisation suffers. For instance, in a manufacturing organisation, an increase of 5 per cent in the labour cost may be more troublesome than a 15 per cent increase in postal charges. [1.5+1.5]</p> | (3) |
| 24. | <p>(a) Regulatory body : SEBI (SECURITIES AND EXCHANGE BOARD OF INDIA)</p> <p>(b) [Any two] SEBI objectives.</p> <ol style="list-style-type: none"> To regulate stock exchanges and the securities industry to promote their orderly functioning. To protect the rights and interests of investors, particularly individual investors and to guide and educate them. To prevent trading malpractices and achieve a balance between self - regulation by the securities industry and its statutory regulation. To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers etc., with a view to making them competitive and professional. [1+2] | (3) |
| 25. | <p><u>Different external sources of recruitment are:</u></p> <ol style="list-style-type: none"> Casual callers: It is generally followed by the factories of manufacturing organisations to fill up vacancies at the labour level. In such cases, the organization keeps the record of casual callers and presents them at the time of requirement. Advertising: The most common and popular method of external recruitment is advertising, e.g. for the job of an accountant, the advertisement can be given in CA journal, for the lower rank it can be given in local newspapers and for the higher rank, it can be given in national level reputed newspapers. The advertisement | (4) |

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| | <p>may also be done through television.</p> <p>iii. Placement agencies and management consultant: These agencies provide nation-wide service of matching demand and supply of workforce and invite the bio-data and record from various job seekers and send them to suitable clients. These agencies charge fees for providing such service.</p> <p>iv. Labour contractors: They keep a close contact with labourers, and they supply manpower to the factory or manufacturing concerns. Through these contractors, workers are appointed in factories at very short notice. They act as a link between labourers and managers. Labour contractors is the ideal source for a manufacturing organisation. It is very much popular in road construction, building construction, and plantation industry. They keep close contact with labourers and supply manpower to manufacturing industries. [1+1+1+1]</p> | |
| 26. | <p><u>Maslow's Need Hierarchy Theory :</u></p> <p>(i) <i>Basic Physiological Needs.</i></p> <p>(ii) <i>Safety/Security Needs:</i> These needs provide security and protection from physical and emotional harm. Examples: job security, stability of income, Pension plans etc.,</p> <p>(iii) <i>Affiliation/Belonging Needs:</i> These needs refer to affection, sense of belongingness, acceptance and friendship.</p> <p>(iv) <i>Esteem Needs:</i> These include factors such as self-respect, autonomy status, recognition and attention.</p> <p>(v) <i>Self Actualisation Needs:</i> It is the highest level of need in the hierarchy. It refers to the drive to become what one is capable of becoming. These needs include growth, self fulfilment and achievement of goals. [1+1+1+1]</p> <p style="text-align: center;">OR</p> <p>Two specific barriers to communication in Lucky's e-mail were:</p> <p>(i) Faulty translations (ii) Technical jargon</p> <p>Measures to overcome communication barriers: (Any two)</p> <p>(i) Lucky should communicate according to the needs, education and understanding levels of subordinates.</p> <p>(ii) He should take proper feedback to improve the communication process and make it more responsive.</p> <p>(iii) He should regularly follow up communication and review the instructions given to subordinates.</p> <p>(iv) He should be aware of languages, tone and content of the message to make it understandable to the receiver. [2+2]</p> | (4) |
| 27. | <p>(a) Autocratic or Authoritarian leadership style- [Any two</p> <p>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.</p> <p>(b) Laissez fair or Free-rein leader-</p> <p>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.</p> <p>(c) Democratic or Participative leader</p> <p>A democratic leader will develop action plans and makes decisions in consultation with his subordinates. He will encourage them to participate in decision-making. Recognise that people perform best if they have set their own objectives. They</p> | (4) |

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| | exercise more control by using forces within the group. [2+2] | |
| 28. | <p>Financial planning is essentially the preparation of a financial blueprint of an organisation's future operations.</p> <p><u>Financial planning strives to achieve the following two objectives.</u></p> <p><i>(a) To ensure availability of funds whenever required:</i> This includes a proper estimation of the funds required for different purposes such as for the purchase of long term assets or to meet day-to-day expenses of business etc. Apart from this, there is a need to estimate the time at which these funds are to be made available. Financial planning also tries to specify possible sources of these funds.</p> <p><i>(b) To see that the firm does not raise resources unnecessarily:</i> Excess funding is almost as bad as inadequate funding. Even if there is some surplus money, good financial planning would put it to the best possible use so that the financial resources are not left idle and don't unnecessarily add to the cost. [1+1.5+1.5]</p> <p style="text-align: center;">OR</p> <p>Capital structure refers to the mix between owned funds and borrowed funds. It can be calculated as debt-equity ratio i.e., Debt/Equity</p> <p><u>factors which affect the choice of capital structure of a company are described below: (Any Two)</u></p> <p>Cash flow position: The issue of debt involves a fixed commitment in the form of payment of interest and repayment of capital. Therefore if the cash flow position of the company is weak it cannot meet the fixed obligations involved in issue of debt it is likely to issue equity or vice versa.</p> <p>Risk: Financial risk refers to a situation when a company is unable to meet its fixed financial charges. Financial risk of the company increases with the higher use of debt. This is because issue of debt involves fixed commitment in terms of payment of interest and repayment of capital.</p> <p>Flexibility: Too much dependence on debt reduces the firm's ability to raise debt during unexpected situations. Therefore, it should maintain flexibility by not using debt to its full potential.</p> <p>Interest Coverage ratio (ICR): The interest coverage ratio refers to the number of times earnings before interest and taxes of a company covers the interest obligation. This may be calculated as follows: $ICR = EBIT/Interest$. [1+1.5+1.5]</p> | (4) |

| 29. | <p style="text-align: center;">EBIT- EPS ANALYSIS</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;">SOURCES</th> <th style="width: 30%;">OPTION 1 Rs</th> <th style="width: 30%;">OPTION 2 Rs</th> </tr> </thead> <tbody> <tr> <td>EQUITY SHARES OF Rs 10 each</td> <td style="text-align: center;">80,00,000</td> <td style="text-align: center;">60,00,000</td> </tr> <tr> <td>10% DEBT</td> <td style="text-align: center;">NIL</td> <td style="text-align: center;">20,00,000</td> </tr> <tr> <td>TOTAL INVESTMENT</td> <td style="text-align: center;">80,00,000</td> <td style="text-align: center;">80,00,000</td> </tr> <tr> <td>EBIT</td> <td style="text-align: center;">16,00,000</td> <td style="text-align: center;">16,00,000</td> </tr> <tr> <td>LESS: INTEREST @ 10%</td> <td style="text-align: center;">NIL</td> <td style="text-align: center;">2,00,000</td> </tr> <tr> <td>EAIBT</td> <td style="text-align: center;">16,00,000</td> <td style="text-align: center;">14,00,000</td> </tr> <tr> <td>LESS: TAX @ 30%</td> <td style="text-align: center;">4,80,000</td> <td style="text-align: center;">4,20,000</td> </tr> <tr> <td>EAT</td> <td style="text-align: center;">11,20,000</td> <td style="text-align: center;">9,80,000</td> </tr> <tr> <td>NO.OF SHARES</td> <td style="text-align: center;">8,00,000</td> <td style="text-align: center;">6,00,000</td> </tr> <tr> <td>EPS= EAT/NO.OF SHARES</td> <td style="text-align: center;">1.4</td> <td style="text-align: center;">1.63 **</td> </tr> </tbody> </table> <p>(I) **OPTION 2 IS FAVOURABLE AS EPS IS HIGHER. IT IS DUE TO EFFECT OF TRADING ON EQUITY.</p> <p>(II) No, earning per shares only rises with increase in debt when the rate of interest on debt is lower than the return on investment i. e; ROI > COST OF DEBT.</p> <p style="text-align: right;">[1.5+1.5+1]</p> | SOURCES | OPTION 1 Rs | OPTION 2 Rs | EQUITY SHARES OF Rs 10 each | 80,00,000 | 60,00,000 | 10% DEBT | NIL | 20,00,000 | TOTAL INVESTMENT | 80,00,000 | 80,00,000 | EBIT | 16,00,000 | 16,00,000 | LESS: INTEREST @ 10% | NIL | 2,00,000 | EAIBT | 16,00,000 | 14,00,000 | LESS: TAX @ 30% | 4,80,000 | 4,20,000 | EAT | 11,20,000 | 9,80,000 | NO.OF SHARES | 8,00,000 | 6,00,000 | EPS= EAT/NO.OF SHARES | 1.4 | 1.63 ** | (4) |
|-----------------------------|---|-------------|-------------|-------------|-----------------------------|-----------|-----------|----------|-----|-----------|------------------|-----------|-----------|------|-----------|-----------|----------------------|-----|----------|-------|-----------|-----------|-----------------|----------|----------|-----|-----------|----------|--------------|----------|----------|-----------------------|-----|---------|-----|
| SOURCES | OPTION 1 Rs | OPTION 2 Rs | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EQUITY SHARES OF Rs 10 each | 80,00,000 | 60,00,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10% DEBT | NIL | 20,00,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| TOTAL INVESTMENT | 80,00,000 | 80,00,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EBIT | 16,00,000 | 16,00,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| LESS: INTEREST @ 10% | NIL | 2,00,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EAIBT | 16,00,000 | 14,00,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| LESS: TAX @ 30% | 4,80,000 | 4,20,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EAT | 11,20,000 | 9,80,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| NO.OF SHARES | 8,00,000 | 6,00,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EPS= EAT/NO.OF SHARES | 1.4 | 1.63 ** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 30. | <p>Consumer Rights as per Consumer Protection Act 2019:(Any Four)</p> <p>(a)Right to Safety:Right to Safety means getting protected against the marketing of goods and services that are hazardous to the life and property of an individual. Consumers must be made aware of the ISI and AGMARK, etc.</p> <p>(b) Right to Choose:The right to choose means the right to be assured of the product they are buying. Right to Choose means the consumers are at full freedom to know about the competitive prices existing in the market and then buy the best product.</p> <p>(c)Right to be Informed:The right to be informed means the consumers must be made aware of the quality, quantity, potency, purity, standard, and price of the goods. The consumers must avail their right of knowing all the details of the product and thus insist on getting all the information about the product or service before making a choice or a decision of their own.</p> <p>(d)Right to Seek Redressal:This means the right to seek redressal against any unfair trade practices or by the unscrupulous exploitation of the consumers. This Right also includes the right to fairly settle for the genuine grievances which are submitted by the consumers.[1+1+1+1]</p> | (4) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 31. | <p>The various principles of management that Raj is applying for the successful management of his eye care centre are described below:</p> <p>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’. A sense of orderliness will lead to increased productivity and efficiency in the organization.</p> <p>Espirit De Corps: According to Fayol, “Management should promote a team spirit of unity and harmony among employees.” A manager should replace T with ‘We’ in all his conversations with workers to promote teamwork. This approach will give rise to a spirit of mutual trust and belongingness among team members. It will also reduce the need for using penalties.</p> <p>Equity: According to Fayol, “Good sense and experience are needed to ensure fairness to all employees, who should be treated as fairly as possible.” This principle emphasizes on kindness and justice in the behaviour of managers towards workers. The managers should not discriminate against anyone on account of gender, religion, language, caste, belief or nationality etc. [2+2+2]</p> <p style="text-align: center;"><u>OR</u></p> | (6) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | <p><u>Techniques of scientific management:</u></p> <p>(a) Method study: method study is to find out one best way of doing the job. Right from procurement of raw materials till the final product is delivered to the customer every activity is part of method study. Taylor devised the concept of assembly line by using method study.</p> <p>(b) 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.</p> <p>(c) 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 the task, the cycle time of the operation and time measurement costs.</p> <p>(d) Differential piece wage system: The workers can then be classified as efficient or inefficient on the basis of these standards. He wanted to reward efficient workers. So he introduced different rate of wage payment for those who performed above standard and for those who performed below standard. [1.5+1.5+1.5+1.5]</p> | |
| 32. | <p>Organisations are not always able to accomplish all their objectives due to the following <u>limitations of planning:</u></p> <p>(i) Planning Leads to Rigidity in an organization: A well-defined plan is drawn up with specific goals to be achieved, within a specific time frame. These plans then decide how the work will progress in the future and managers may not be in a position to change it. This creates a problem as flexibility is very important. Always adhering to the plan may not give us the desired results always.</p> <p>(ii) Planning May Not Work in a Dynamic Environment: The business environment is dynamic, nothing is constant. The business environment is a totality of external forces, where in some changes or the other keep on taking place. Plans decide in advance what has to be done in future. Planning cannot foresee everything and thus there may be obstacles to effective planning.</p> <p>(iii) Planning Reduces Creativity: Planning is generally done by the top management. Usually the rest of the members just implement these plans. As a consequence, middle management and other decisions makers are neither allowed to deviate from plans nor are they permitted to act on their own, thus planning in a way reduces creativity since people tend to think along the same lines as others, there is nothing new or innovative.</p> <p>(iv) Planning Involves Huge Cost: Planning involves huge cost in their formulation. These may be in terms of time and money. The costs incurred sometimes may not justify the benefits derived from the plans</p> <p>(v) Planning is a Time Consuming Process: Sometimes plans to be drawn take up so much of time that there is not much time left for their implementation and the objectives to be achieved.</p> <p>(vi) Planning does not Guarantee Success: Any plan needs to be translated into action or it becomes meaningless. Managers have a tendency to rely on previously tried and tested successful plans. It is not always true that just because a plan has worked before it will work again. [1+1+1+1+1+1]</p> <p style="text-align: center;">OR</p> <p><u>Meaning of following as types of plans:</u></p> <p>(a) Programme: detailed statements about a project which outlines the objectives, policies, procedures, rules, tasks, human and physical resources required and the budget to implement any course of action</p> <p>(b) Procedure: are routine steps on how to carry out activities. They detail the exact</p> | (6) |

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| | <p>manner in which any work is to be performed. They are specified in a chronological order. For example, there may be a procedure for requisitioning supplies before production.</p> <p>(c) Policy: general statements that guide thinking or channelise energies towards a particular direction. Policies provide a basis for interpreting strategy which is usually stated in general terms. They are guides to managerial action and decisions in the implementation of strategy. For example, the company may have a recruitment policy</p> <p>(d) Strategy: A strategy provides the broad contours of an organisation's business. It will also refer to future decisions defining the organisations direction and scope in the long run. Thus, we can say a strategy is a comprehensive plan for accomplishing an organisation objective. This comprehensive plan will include three dimensions, (i) determining long term objectives, (ii) adopting a particular course of action, and (iii) allocating resources necessary to achieve the objective. [1.5+1.5+1.5+1.5]</p> | |
| 33. | <p>DECENTRALISATION: refers to delegation of authority throughout all the levels of the organisation, In other words decision making authority is pushed down the chain of command.</p> <p>Importance (any five)</p> <p>(i) Develops initiative among subordinates: Decentralisation helps to promote self-reliance and confidence amongst the subordinates. This is because when lower managerial levels are given freedom to take their own decisions they learn to depend on their own judgment.</p> <p>(ii) Develops managerial talent for the future: Formal training plays an important part in equipping subordinates with skills that help them rise in the organisation but equally important is the experience gained by handling assignments independently. Decentralisation gives them a chance to prove their abilities and creates a qualified manpower who can be considered to fill up more challenging positions through promotions.</p> <p>(iii) Quick decision making: In a decentralised organisation, however, since decisions are taken at levels which are nearest to the points of action and there is no requirement for approval from many levels, the process is much faster.</p> <p>(iv) Relief to top management: Decentralisation diminishes the amount of direct supervision exercised by a superior over the activities of a subordinate because they are given the freedom to act and decide albeit within the limits set by the superior.</p> <p>(v) Facilitates growth: Decentralisation awards greater autonomy to the lower levels of management as well as divisional or departmental heads. This allows them to function in a manner best suited to their department and fosters a sense of competition amongst the departments.</p> <p>(vi) Better control: Decentralisation makes it possible to evaluate performance at each level and the departments can be individually held accountable for their results. Decentralisation must always be balanced with centralisation in areas of major policy decisions. [1+1+1+1+1+1]</p> | (6) |
| 34. | <p>Functions of marketing:</p> <p>(i) Branding: Branding is the process of <i>giving a name, term, sign, symbol, design</i> or some combination of them, to the product. <i>"They chose a 'logo' that incorporated elements of nature and used earthy colours to convey their organic commitment."</i></p> <p>(OR)</p> <p><i>"They named the business 'Earthy Store' which indicated the products' benefits and qualities and reflected the values of the business – sustainability and health".</i></p> <p>(ii) Packaging and Labelling:</p> | (6) |

Packaging refers to the act of **designing and producing the container or wrapper** of a product. Labelling refers to designing and developing the label to be put on the package. It may vary from a simple tag to complex graphics.

“They designed and developed eco-friendly biodegradable bags and reusable containers to courier their products to the customers”

(OR)

“They also designed and developed product stickers with detailed information about organic certification, nutritional benefits, date of manufacture, date of expiry, etc.”

(iii) Promotion:

• Promotion refers to **informing the customers about the firm’s product**, its features, etc. and persuading them to purchase these products.

“Earthy Store’ created a user-friendly website and established strong media presence to inform potential customers about their products and persuading them to buy the same.”

[2+2+2]

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