



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



PRE BOARD-III (2024-25)

BUSINESS STUDIES (054)

MARKING SCHEME

Class : XII Commerce
Date : 19/01/2025

Duration: 3hrs.
Max. Marks: 80

1.	(a) Management is an art	(1)
2.	(a) Both Assertion and Reason are true and Reason is the correct explanation of Assertion.	(1)
3.	(b) The principles of management lack universal applicability	(1)
4.	(c) Cooperation not individualism	(1)
5.	(c) A (iii), B (i), C (ii)	(1)
6.	(d) (i) and (v)	(1)
7.	(c) C, A, B, D	(1)
8.	(b) Assertion and reason both are true but reason is not the correct explanation of assertion.	(1)
9.	(c) Policies	(1)
10.	(a) Both Assertion and reason are true and reason is correct explanation of assertion.	(1)
11.	(c) Both the statements are true	(1)
12.	(c) Debt and Equity in the total capital	(1)
13.	(a) Financial Planning	(1)
14.	(d) Money market	(1)
15.	(c) Opening a trading account and Demat account, Placing an order, Execution of order, Settlement of order	(1)
16.	(d) Societal Concept	(1)
17.	(c) Personal selling	(1)
18.	(c) Public relation	(1)
19.	(a) Primary package	(1)
20.	(c) BIS Hallmark	(1)
21.	(A) The functions of <u>Middle level Management</u> are: (i) interpret the policies framed by top management (ii) ensure that their department has the necessary personnel, (iii) assign necessary duties and responsibilities to them, (iv) motivate them to achieve desired objectives and (v) Cooperate with other departments for smooth functioning of the organisation. OR (B) <u>Management is a complex activity that has three main dimensions.</u> The following are the <u>three main dimensions</u> of management: (i) Managing the work:	(3)

	<ul style="list-style-type: none"> • With management, the work of an organisation is interpreted in terms of the objectives and goals achieved owing to the work. • Management also specifies the guidelines regarding how these objectives can be achieved. <p>(ii) Managing the people:</p> <ul style="list-style-type: none"> • Managing the people implies <i>dealing with the employees both as individuals and as a group</i> such that their strengths are utilised and their weaknesses are identified. <p>(iii) Managing the operations:</p> <ul style="list-style-type: none"> • The <i>production process where the inputs are transformed into a product</i> or a service requires continuous management in order to ensure the utilisation of the resources efficiently and effectively. <p>[1 mark each for stating three functions OR 1 mark for each Mgt. dimensions]</p>	
22.	<p>The step of staffing process which has not been performed properly is:</p> <p>(i) <u>Estimation of manpower requirements:</u></p> <ul style="list-style-type: none"> • Operationally, understanding the manpower requirements would necessitate workload analysis on the one hand and workforce analysis on the other. <p>(ii) The <u>next stage</u> immediately following the <i>step Estimation of manpower requirement</i> is :</p> <ul style="list-style-type: none"> • <u>Recruitment:</u> Recruitment may be defined as the process of searching for prospective employees and stimulating them to apply for jobs in the organisation. <p>[1 mark for identification and 1 mark for explanation+1 mark for explaining next step]</p>	(3)
23.	<p>(A) Gyan Pradhan has given <u>perquisites and fringe benefits</u> to the employees in the form of free education to children and medical aid. <i>Perquisites and fringe benefits are a type of Financial incentive.</i> Some other financial incentives are: [Any Two]</p> <ol style="list-style-type: none"> 1. Bonus: Additional reward over and above the salary such as gifts, festival bonus, etc. 2. Retirement Benefits: Offering retirement benefits to employees such as pensions, gratuity, provident fund, etc. 3. Stock Option: Offering the employees shares of the company at a price lower than the market price 4. Profit-Sharing: Sharing a portion of the profit with the employees <p style="text-align: center;">OR</p> <p>(B) <u>Democratic or Participative leader:</u></p> <ul style="list-style-type: none"> • A democratic leader will <i>develop action plans and makes decisions in consultation with his subordinates.</i> • He will <i>encourage them to participate in decision-making.</i> • This kind of leadership style is more common now-a-days, since leaders also recognise that people perform best if they have set their own objectives. • They also need to respect the other's opinion and support subordinates to perform their duties and accomplish organisational objectives. • They exercise more control by using forces within the group. <p>[1+1+1 OR 1 mark for identify & 2 marks for explaining leadership styles]</p>	(3)

24.	<table border="1"> <thead> <tr> <th data-bbox="263 174 805 212">Primary market</th> <th data-bbox="805 174 1332 212">Secondary market</th> </tr> </thead> <tbody> <tr> <td data-bbox="263 212 805 358">There is sale of securities by new companies or further (new issues of securities by existing companies to investors).</td> <td data-bbox="805 212 1332 358">There is trading of <i>existing shares only</i>.</td> </tr> <tr> <td data-bbox="263 358 805 492">Securities are sold by the company to the investor directly (or through an intermediary).</td> <td data-bbox="805 358 1332 492">Ownership of existing securities is exchanged between investors. The company is not involved at all.</td> </tr> <tr> <td data-bbox="263 492 805 638">The flow of funds is from savers to investors, i.e. the primary market directly promotes capital formation</td> <td data-bbox="805 492 1332 638">Enhances encashability(liquidity) of shares, i.e.the secondary market indirectly promotes capital formation</td> </tr> <tr> <td data-bbox="263 638 805 772">Only buying of securities takes place in the primary market, securities cannot be sold there.</td> <td data-bbox="805 638 1332 772">Both the buying and the selling of securities can take place on the stock exchange</td> </tr> <tr> <td data-bbox="263 772 805 884">Prices are determined and decided by the management of the company.</td> <td data-bbox="805 772 1332 884">Prices are determined by demand and supply for the security.</td> </tr> <tr> <td data-bbox="263 884 805 963">There is no fixed geographical location.</td> <td data-bbox="805 884 1332 963">Located at specified places</td> </tr> </tbody> </table> <p data-bbox="973 963 1356 996" style="text-align: right;">[Any three, one mark each]</p>	Primary market	Secondary market	There is sale of securities by new companies or further (new issues of securities by existing companies to investors).	There is trading of <i>existing shares only</i> .	Securities are sold by the company to the investor directly (or through an intermediary).	Ownership of existing securities is exchanged between investors . The company is not involved at all.	The flow of funds is from savers to investors, i.e. the primary market directly promotes capital formation	Enhances encashability(liquidity) of shares, i.e.the secondary market indirectly promotes capital formation	Only buying of securities takes place in the primary market, securities cannot be sold there.	Both the buying and the selling of securities can take place on the stock exchange	Prices are determined and decided by the management of the company .	Prices are determined by demand and supply for the security.	There is no fixed geographical location .	Located at specified places	(3)
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25.	<p data-bbox="239 1003 638 1041">(i) <u>Apprenticeship Training</u> -</p> <p data-bbox="239 1041 1356 1142">It refers to that training method where the trainee is put under the guidance of an expert to acquire higher level of skill. Generally, electricians, plumbers and iron workers are required to undergo this training.</p> <p data-bbox="239 1142 542 1180">(ii) <u>Workload analysis</u></p> <p data-bbox="239 1180 1356 1332">It is a part of first step of staffing process i.e., estimating the manpower requirements.It involves assessment of the number and types of human resources necessary for the performance of various jobs and accomplishment of organisational objectives.</p> <p data-bbox="239 1332 462 1370">(iii) <u>Orientation</u></p> <p data-bbox="239 1370 1356 1478">Orientation involves giving a brief presentation about the company to the employee and introducing him/her to his/her superiors, subordinates and the colleagues.</p> <p data-bbox="239 1478 422 1516">(iv) <u>Selection</u></p> <p data-bbox="239 1516 1356 1585">Selection is the process of identifying and choosing the best person out of a number of prospective candidates for a job.</p> <p data-bbox="622 1585 1356 1624" style="text-align: right;">[½ mark for identification and ½ mark for meaning]</p>	(4)														
26.	<p data-bbox="239 1630 1356 1697">Communication begins and ends at the person. Thus, there are barriers to communication that are personal in nature.</p> <p data-bbox="239 1697 925 1736"><u>Personal barriers</u> of communication are as follows:</p> <p data-bbox="239 1736 1356 1848">(i) Lack of confidence of superior in his subordinates If superiors have no confidence and trust in their subordinates, then they pay no attention to their advice, opinion or suggestions.</p> <p data-bbox="239 1848 1356 1993">(ii) Lack of incentives If there is no incentive for communication, then subordinates may not take initiatives to give suggestions, e.g. if there is no reward given for giving some good suggestion, then employees will take no initiative to give good suggestions.</p> <p data-bbox="239 1993 1356 2067">(iii) Fear of authority Some superiors may modify feedback going from lower-level employees. This may be done especially if the feedback is a complaint directed</p>	(4)														

	<p>against the superior. The dishonest superior may block complains reaching to senior management in order to prevent challenge from authority. In other words, sometimes superiors conceal and hide information if they have fear of losing their authority over the subordinates.</p> <p>(iv) Unwillingness to communicate: The personal characteristic of an individual also influences the free flow of communication. Sometimes the superiors may not be prepared to communicate with subordinates. These superiors may have selfish intentions and may prevent negative information that threatens their reputation.</p> <p style="text-align: right;">[1 mark each for explanation]</p>	
27.	<p><u>The first four steps involved in the controlling process are described below:</u></p> <p>1. Setting performance standards:</p> <ul style="list-style-type: none"> • The first step in the controlling process involves setting standards in clear, specific and measurable terms. • Standards can be set in both quantitative as well as qualitative terms. • It is important that standards should be flexible enough to be modified with the changes taking place in the internal and external business environment. <p>2. Measurement of actual performance:</p> <ul style="list-style-type: none"> • The next step relates to the measurement of actual performance. • Performance should be measured in an objective and reliable manner. • As far as possible, performance should be measured in the same units in which standards are set as this would make their comparison easier. • Depending upon the nature of work various techniques for measurement of performance like personal observation, sample checking, performance reports, etc. may be used. <p>3. Comparison of actual performance with standards:</p> <ul style="list-style-type: none"> • This step involves comparison of actual performance with the standard. Such comparison will reveal the deviation and noting deviations if any. • If the actual performance is more than planned performance deviations are said to be positive or vice-versa. <p>4. Analysing deviations: Once the deviations are identified it is important to analyse them through:</p> <p>(a) Critical point control: every organisation identifies and states its specific key result areas (KRAs) or critical points which require tight control are likely to have a significant effect on the working of the business.</p> <p>(b) Management by exception: only significant deviations which go beyond the permissible limits should be brought to the notice of the management.</p> <p style="text-align: right;">[1 marks each for explanation]</p>	(4)
28.	<p><u>The four factors that affecting the working capital requirements of a company are explained below:</u></p> <p>1. Credit availed: In case the suppliers from whom the firm procures the raw material needed for production or finished goods follow a liberal credit policy, the business can be operated on minimum working capital or vice versa.</p> <p>2. Credit allowed: The credit terms may vary from firm to firm. However, if the level of competition is high or credit worthiness of its clients is good the firm is likely to follow a liberal credit policy and grant credit to its clients it results in higher amount of debtors, increasing the requirement of working capital or vice versa.</p> <p>3. Scale of operations: The amount of working capital required by a business varies directly in proportion to its scale of business. For organisations which operate on a higher scale of operation, the quantum of inventory, debtors required is generally</p>	(4)

high. Such organisations, therefore, require **large amount of working capital** as compared to the organisations which operate on a lower scale.

4. Growth prospects: The business firms who wish to take advantage of a *forthcoming business opportunity* or plan to expand its operations will **require higher amount of working capital** so that is able to meet higher production and sales target whenever required or vice versa . **[1 marks each for explanation]**

OR

The four factors that affecting the Dividend Decision requirements of a company are explained below:

(a) **Amount of Earnings:** Dividends are paid out of current and past earning.

Therefore, earnings is a major determinant of the decision about dividend.

(b) **Stability Earnings:** Other things remaining the same, a company having stable earning is in a better position to declare higher dividends. As against this, a company having unstable earnings is likely to pay smaller dividend.

(c) **Stability of Dividends:** dividend per share is not altered if the change in earnings is small or seen to be temporary in nature.

(d) **Growth Opportunities:** Companies having good growth opportunities retain more money out of their earnings so as to finance the required investment. The dividend in growth companies is, therefore, smaller, than that in the non– growth companies.

(e) **Cash Flow Position:** The payment of dividend involves an outflow of cash. A company may be earning profit but may be short on cash. Availability of enough cash in the company is necessary for declaration of dividend.

(f) **Shareholders' Preference:** While declaring dividends, managements must keep in mind the preferences of the shareholders in this regard. If the shareholders in general desire that at least a certain amount is paid as dividend, the companies are likely to declare the same. There are always some shareholders who depend upon a regular income from their investments.

(g) **Taxation Policy:** The choice between the payment of dividend and retaining the earnings is, to some extent, affected by the difference in the tax treatment of dividends and capital gains.

(h) **Stock Market Reaction**

(i) **Access to Capital Market**

(j) **Legal Constraints**

(k) **Contractual Constraints**

[1 marks each for explanation]

29.	<p>(a) Return on Investment (ROI) $= \frac{\text{Profit before interest and tax or EBIT} \times 100}{\text{Capital employed or Total Investment}}$ $= \frac{\text{Rs } 2,00,000}{\text{Rs } 10,00,000} \times 100$ $= 20\%$ <p>Earning per share (EPS) = $\frac{\text{Profit after interest and tax or EAT}}{\text{Number of equity shares}}$</p> $= \frac{\text{Rs } 2,00,000 - 56,000 - 72,000}{10,000} = \frac{[EBIT - TAX - INTEREST]}{\text{Number of equity shares}}$ $= \text{Rs } 7.20 \text{ per share}$ <p>(b) It is a case of favourable financial leverage as the ROI > Rate of interest.</p> </p>	(4)
[1 ½ + 1 ½ + 1]		

<p>30. (A) (i) <u>Right to be informed:</u></p> <ul style="list-style-type: none"> • The consumer has a <i>right to have <u>complete information</u> about the product he intends to buy</i> including its ingredients, date of manufacture, price, quantity, directions for use, etc. • It is because of this reason that the <u>legal framework</u> in India requires the manufactures to provide such information on the package and label of the product. <p>(ii) <u>Right to seek redressal:</u></p> <ul style="list-style-type: none"> • The consumer has a <i>right to get <u>relief against unfair trade practice of restrictive trade practices or unscrupulous exploitation</u> in case the product or a service falls short of his expectations.</i> • The Consumer Protection Act 2019 provides for redressal to the consumers including <u>replacement</u> of the product, <u>removal of defect in the product</u>, <u>compensation paid for any loss or injury suffered by the consumer, etc.</u> <p style="text-align: center;">[1 mark each for identification+1 mark each for explanation]</p> <p style="text-align: center;">OR</p> <p>(B) <i>Redressal</i> of consumer grievances, the Consumer Protection Act 2019 provides for setting up of a <u>three-tier enforcement machinery</u> at the <i>District, State, and the National levels.</i></p> <p>1. <u>District commission</u></p> <ul style="list-style-type: none"> • Has a jurisdiction to entertain complaints where <i>value of goods or services paid as consideration does not exceed <u>one crore rupees.</u></i> • If any of the parties are <i>not satisfied by the order</i> can appeal against such order to the State Commission on the grounds of facts or law within a period of <u>forty-five days</u> from the date of order. <p>2. <u>State Commission:</u></p> <ul style="list-style-type: none"> • Has a jurisdiction to entertain complaints where <i>value of goods and services paid as consideration <u>exceeds one crore but does not exceed ten crore rupees.</u></i> • If any of the parties are <i>not satisfied</i> by the order of State Commission can appeal against such order <u>to the National Commission</u> within a period of <u>thirty days</u> of such order. <p>3. <u>National Commission:</u></p> <ul style="list-style-type: none"> • Has territorial jurisdiction over the whole country. • National Commission has a jurisdiction to entertain complaints where <i>value of goods or services paid as consideration <u>exceeds ten crores of rupees.</u></i> • If any of the parties are <i>not satisfied</i> by the order of National Commission can appeal against such order <u>to the Supreme Court of India</u> within a period of <u>thirty days</u> of such order. <p style="text-align: right;">[1+1.5+1.5]</p>	<p>(4)</p>
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31.

(A) Techniques of Scientific Management given by F.W.Taylor:

(6)

(i) **Functional foremanship:**

- **An extension of the principle of division of work and specialization to the shop floor.** Each worker will have to **take orders from these eight foremen** in the related process or function of production.
- **Foremen** should have intelligence, education, tact, grit, judgment, special knowledge, manual dexterity, and energy, honesty and good health.
- Since all these qualities could not be found in a single person, Taylor proposed ***eight specialists***. Each specialist is to be assigned work according to her/his qualities.

(ii) **Differential piece wage system:**

- Taylor was a strong advocate of a piece wage system. He wanted to **differentiate between efficient and inefficient workers.**
- The standard time and other parameters should be determined on the basis of the work- study discussed above.
- The workers can then be classified as ***efficient or inefficient*** on the basis of these standards.

(iii) **Fatigue study:**

- It seeks **to determine the amount and frequency of rest intervals** that should be provided to the workers for completing a task.
- This technique helps in ***increasing productivity*** as the rest intervals will help a person to regain stamina and work again with the same capacity.

[2 marks each for explanation]

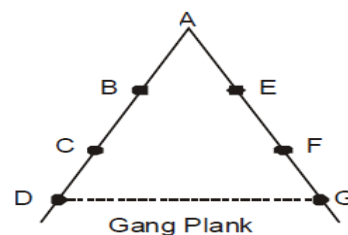
OR

(B) **Principles of Management given by Henry Fayol:**(i) **Unity of Command:**

- According to Fayol there should be **one and only one boss** for every individual employee.
- If an employee gets ***orders from two superiors at the same time the principle of unity of command is violated.***
- The principle of unity of command states that ***each participant in a formal organization should receive orders from and be responsible to only one superior.***
- The principle resembles military organization. ***Dual subordination*** should be avoided. This is to prevent confusion regarding tasks to be done.

(ii) **Scalar Chain:**

- The **formal lines of authority between superiors and subordinates** from the **highest to the lowest ranks** are known as **scalar chain.**
- This chain should not be violated but in **emergency** employees at **same level** can **contact** through **Gang Plank** by



	<p>informing their immediate superiors.</p> <ul style="list-style-type: none"> • In case of <i>emergency a worker can even contact CEO directly.</i> <p>(iii) Initiative:</p> <ul style="list-style-type: none"> • Workers should be encouraged to develop and carry out their plans for improvements according to Fayol. • <i>Initiative means taking the first step with self-motivation.</i> It is thinking out and executing the plan. It is one of the traits of an intelligent person. • 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 <i>employee suggestion system whereby initiative/suggestions which result in substantial cost/time reduction should be awarded.</i> 	
32.	<p>(A) (a) Planning is the function of management which is being discussed above.</p> <p>(b) Features of Planning :(any five)</p> <ol style="list-style-type: none"> 1. Planning focuses on achieving objectives because <i>specific goals are set out</i> in the plans along with activities to be undertaken to achieve them. 2. Planning is futuristic as it involves <i>looking ahead and preparing for future.</i> 3. Planning involves decision making as it involves <i>evaluating alternative course of action and selecting the best alternative.</i> 4. Planning is a mental exercise because it is an <i>intellectual activity of thinking rather than doing.</i> 5. Planning is the primary function of management as it is the <i>bases for all other functions of management.</i> 6. Planning is pervasive as it is <i>required in all organisations, at all levels and in all departments.</i> 7. Planning is continuous because a plan is <i>implemented for a specific time period and is followed by another plan and so on.</i> <p style="text-align: center;">OR</p> <p>(B) Steps in planning process</p> <ol style="list-style-type: none"> 1) Setting objectives: <ul style="list-style-type: none"> • The first step in planning is <u><i>to determine objectives.</i></u> • Objective must be realistic, specific and clear so as <u><i>to specify what is to be accomplished</i></u> by the network of policies, procedures, strategies, rules, budgets and programmes. 2) Developing premises: <ul style="list-style-type: none"> • Planning premises are the <u><i>anticipated environments</i></u> in which plans are expected to operate. • They include <u><i>assumptions or forecasts</i></u> of the future and known conditions that will affect the operation of the plans. • They provide useful <i>facts and information</i> and facilitate the work of planning. 3) Identifying the alternative courses of action: 	(6)

	<ul style="list-style-type: none"> • The next step in planning process is <u>to identify the various alternatives</u> available to achieve the objectives. • Most of the times identifying the various alternatives is a difficult task and it depends upon the <u>creativity and logical thinking</u> of the planner which opens up indifferent avenues for the firm. <p>4) Evaluating the alternative courses:</p> <ul style="list-style-type: none"> • The <i>pros (advantage) and cons (disadvantage)</i> of different courses of actions are evaluated in the light of the objectives to be achieved and their feasibility is judged accordingly. <p>(5) Selecting the best alternative:</p> <ul style="list-style-type: none"> • The next step is <u>to find out most suitable courses to be followed.</u> • Efforts are directed towards <u>selecting that course which increases efficiency</u> in the organisation by <i>maximising output and profits at minimum costs.</i> Sometimes, instead of just is selecting one course of action, a combination of more than one may be selected. <p>(6) Implementing the plan: -</p> <ul style="list-style-type: none"> • At the step, plan is <u>transformed from thought to an action</u> by <i>activating other managerial functions.</i> <p>(7) Follow-up Action –</p> <ul style="list-style-type: none"> • Due <u>to uncertainties of future</u> it is necessary that the <u>plan should be evaluated from time to time</u> to measure its effectiveness and to ensure that the objectives are achieved. <p>[1mark each for identify + 5 marks for feature OR 1+1+1+1+1+0.5+0.5 marks each for explanation]</p>	
33.	<p>(i) The organisational structure adopted by Diligent Developers is</p> <ul style="list-style-type: none"> • <u>Functional structure.</u> <p>Meaning: Functional structure is an organisational design that group's similar or related job together.</p> <p>(ii) Benefits of functional structure:</p> <ol style="list-style-type: none"> 1) It leads to <u>occupational specialization</u> since emphasis is placed on specific functions. This promotes efficiency in utilization of manpower as employees perform <i>similar tasks within a department</i> and are able to improve performance. 2) It promotes <i>control and coordination within a department</i> because of similarity in the tasks being performed. <p>Limitations of functional structure:</p> <ol style="list-style-type: none"> (a) A functional structure places <i>less emphasis on overall enterprise objectives</i> than the objectives pursued by a functional head. Such practices may lead to functional empires where in 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 <i>lead to problems in coordination as information</i> has to be exchanged across functionally differentiated departments 	(6)

	[(i). 1 mark for identification + 1 mark for meaning] [(ii). 2 marks each for stating 2points of benefits and limitations.]	
34.	<p>The <u>three functions of marketing</u> with reference to the above paragraph are described below:</p> <p>1. <u>Gathering and analyzing market information:</u></p> <ul style="list-style-type: none"> • The prime focus of marketing is to <i>'find wants and fill them'</i>. • Therefore, it is absolutely essential for a company <i>to study the needs and preferences of its target market</i> in order to satisfy their needs and wants optimally. <p>2. <u>Standardisation and grading:</u></p> <ul style="list-style-type: none"> • Standardisation refers to <i>the process of manufacturing goods as per pre-determined specifications.</i> • Grading refers to the process of <i>classifying goods</i> on the basis of certain criteria like <i>quality, size</i> etc. Usually, agricultural products are subject to grading. <p>3. Branding:</p> <ul style="list-style-type: none"> • Branding is the process of <i>assigning a name (brand name), sign or symbol (brand mark) or a combination of all to a product.</i> • It is considered to be a very important decision by the marketers because it <i>facilitates product differentiation.</i> • This helps the company to obtain a <i>desirable market share.</i> <p style="text-align: right;">[2 marks each for explanation]</p>	(6)

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