



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



PRE BOARD-I EXAMINATION 2023-24

ANSWER KEY BUSINESS STUDIES (054)

Class : **XII Commerce**

Date : **11/12/2023**

Admission No.:

Duration: **3 Hrs**

Max. Marks: **80**

Roll No.:

1. (a) Long term Investment Decision (1)
2. (a) Actual Performance (1)
3. (b) Rates of saving and investment (1)
4. (b) key Result areas (1)
5. (c) Primary Market (1)
6. (c) Coordination (1)
7. (d) Give attention to significant deviations (1)
8. (b) Personal (1)
9. (c) Marketing is merely a post-production activity (1)
10. (a) Statement I is correct and statement II is wrong (1)
11. (b) Encoding (1)
12. (a) Planning and controlling are separable twins of management (1)
13. (a) Statement I is correct and Statement II is wrong (1)
14. (c) Opportunities (1)
15. (c) Creates a dynamic organisation (1)
16. (d) Assertion is false but Reason is true (1)
17. (c) It is difficult to product future happenings especially when environment changes are taking place too frequently (1)
18. (a) A-(II), B-(IV), C-(III), D-(I) (1)
19. (a) Top level of management (1)
20. (b) Economic environment (1)
21. The following points prove that **Management is an art:** (3)
 - (1) **Existence of theoretical knowledge:** There is a lot of literature available in various areas of art, and likewise, management theories and principles are also available to a manager to specialise in.
 - (2) **Personalised application:** A manager applies his/her acquired knowledge or information in a Personalised and distinctive way, similar to any other form of art.

- (3) **Based on continuous practice and creativity:** This criterion is met by management, since managers gain proficiency and experience through repeated practice. Like in art, a manager, develops his own theories of application in a certain circumstance after studying diverse situations. This gives rise to various management theories.

22. **Elements of delegation** are:

(3)

- (1) **Authority:** Authority is defined as the **ability to make decisions and direct the actions of others**. Authority is the foundation of the superior-subordinate relationship. Laws and the organisation's rules and regulations place limitations on authorities. The authority flows downward.
- (2) **Responsibility:** Responsibility refers to a **subordinate's obligation to complete the task assigned to them**. It arises from a relationship between a superior and a subordinate because the subordinate is required to complete the task assigned to him by his superior. A subordinate will always be answerable to his superior due to the upward flow of responsibility.
- (3) **Accountability:** When **power is delegated**, an **employee can act on behalf of a superior**, but the **superior is still in charge of the result**. Being held accountable implies having to answer for the outcome. Once duty and authority are accepted, it is impossible to refuse accountability. A subordinate will report to a superior because it is not delegatable and moves upward.

OR

Steps in the process of organising are as follows: (any three)

- (1) **Identification and division of work:** The entire task is divided into small manageable activities that leads to specialisation.
- (2) **Departmentalisation:** All similar jobs and activities are grouped into departments, on the basis of functions or products.
- (3) **Assignment of duties:** The duties are thereafter clearly assigned to the post and then to the individuals on the basis of their capabilities. Clear assignment of duties avoid duplication of work.
- (4) **Establishing reporting relationships:** Superior subordinate relationship is created and the question of who reports to whom is clarified. Every individual in the organisation knows, whom he has to report.

23. (A) The important aspect neglected by marketers is **Labelling**.

(3)

(B) The **functions** performed by labelling are:

- (1) It provides **information** about the product, including a description of what it is made of and other relevant details like what it contains and how to use it.
- (2) It **assists consumers** in brand or product identification. For instance, the product name is displayed on the package, which makes it much simpler to recognise one's preferred brand. Similarly, it offers additional helpful information, such as the product's composition, weight, and maximum suggested retail price.
- (3) Labelling helps in the product's maintenance. It makes it **easier to identify** which pack has particular quality, when a product has multiple qualities.

24. Three **protective functions of SEBI** are as follows: (Any three) (3)
- (1) **Prohibition** of fraudulent and unfair trade practices like making misleading statements, manipulations, price rigging, etc.
 - (2) **Controlling** insider trading and imposing penalties for such practices.
 - (3) **Undertaking** steps for investor protection.
 - (4) **Promotion** of fair practices and code of conduct in securities market.

OR

Three **methods of floating new issues** in the primary market: (any three)

- (1) **Offer through Prospectus:** Offer through prospectus is the most popular method of raising funds by public companies in the primary market. This involves **inviting subscription from the public** through issue of prospectus.
 - (2) **Private Placement:** Private placement is the **allotment of securities** by a company to **institutional investors and some selected individuals**. It helps to raise capital more quickly than a public issue.
 - (3) **Rights Issue:** This is a **privilege given to existing shareholders to subscribe** to new issue of shares according to the terms and conditions of the company.
 - (4) **Offer for sale:** Under this method, securities are **not issue directly to the public**. They are first issued to intermediaries like issue houses and stock brokers at fixed price.
 - (5) **E-IPOs:** Under this method, company **issues capital to public through online system** of stock exchange.
25. A **democratic leader** will **work with his team members** to create action plans and reach decisions. He will encourage the employees towards decision-making involvement. This kind of leadership approach is more prevalent today because **leaders understand that individuals work best** when they have established their own goals. Additionally, they must **accept one another's viewpoints** and **help subordinates** carry out their responsibilities and achieve organisational goals. By using collective forces, they can exert more control. (4)

Features of Democratic Leadership:

- (1) A democratic leader **delegates authority** in accordance with the capacity of the employee.
 - (2) Every subordinate takes part in **making decisions**.
 - (3) The significance of **human values** is also taken into account.
 - (4) A democratic leader **establishes objectives** for job performance and enforces flexible work standards.
 - (5) A democratic leader **priorities outcomes over actions**.
26. The **benefits of training** to an organisation are as follows: (any four) (4)
- (1) Training is a **systematic learning**, Always better than hit and trial methods which lead to wastage of efforts and money.
 - (2) It **enhances employee productivity** both in terms of quantity and quality, leading to

higher profits.

- (3) Training **equips the future manager** who can take over in case of emergency.
- (4) Training **increases employee morale** and reduces absenteeism and employee turnover.
- (5) It helps in obtaining an **effective response** to a fast changing environment—technological and economic.

OR

The **limitations of using internal sources** for recruitment are as follows: (any four)

- (1) Scope for induction of **fresh talent is reduced**.
- (2) Employees may become **lethargic**.
- (3) New enterprises **cannot use internal sources** of recruitment
- (4) Spirit of competition among the employees may be **hampered**.
- (5) Frequent transfers of employees may often **reduce the productivity** of the organisation.

27. (A) **Right to be informed:** A consumer has the **right to get full information** (4)

about any product he plans to purchase, including information on its components, cost, production date, quantity, and usage instructions. Due to this, the legal system in India mandates that manufacturers provide such information on the product's package and label.

(B) **Right to Seek Redressal:** If the goods or service does not meet the consumer's expectations, he has the **right to compensation**. A variety of reliefs are offered to consumers under the Consumer Protection Act, including replacement of goods, removal of product defects, payment of compensation for any loss or harm incurred by the consumer, etc.

OR

(A) Right to be Heard

(B) District Commission

(C) **NO**, she **cannot appeal to the Supreme Court** if she is not satisfied with the order of appropriate commission as the value of goods or services paid as consideration **exceeding Rs. 10 crore only** are appealable before Supreme Court.

28. (A) **Objectives:** The **first step** in planning is **setting objectives**. Objectives are the (4)

desired future position of the business. They are basic to the organisation and they are defined as ends that the management seeks to achieve through its operations. Therefore, an objective simply stated is what you would like to achieve, i.e., the end result of activities.

(B) **Strategy:** A strategy provides the **broad contours** of an organisation's business. It will also refer to future decision defining the organisation's direction and scope in the long run. Thus, we can say a strategy is a comprehensive plan for accomplishing an organisation's objectives.

(C) **Policy:** Policies are **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 the strategy.

(D) **Rule:** Rules are **specific statements that inform what is to be done**. They do not allow for

any flexibility or discretion. It reflects a managerial decision that a certain action must or must not be taken. They are usually the simplest type of plan because there is no compromise or change unless a policy decision is taken.

29. **Incentives** being given by the organisation to the employees are: **(4)**

- (1) **Job enrichment:** Job enrichment is concerned with **designing jobs** that include greater **variety** of work content, require higher level of knowledge and skill; give workers more autonomy and responsibility; and provide opportunity for personal growth and a meaningful work experience.
- (2) **Job security:** Employees want their **jobs to be secure**. They want certain **stability** about future income and work so that they do not feel worried about these aspects and work with greater zeal.
- (3) **Perquisites:** In many companies perquisites and fringe **benefits** are offered such as car allowance, housing, medical aid and education to the children, etc., over and above the salary.
- (4) **Co-partnership/stock option:** Under these incentive schemes, employees are **offered** company shares at a set price which is lower than market price. Sometimes, management may allot shares in line of various incentives payable in cash.

30.

- (A) **Capital Structure:** It means the **proportion of debt and equity** used for financing the business operations. **(4)**
- (B) Following are the **factors affecting capital structure** of a company: **(Any two points)**
- (1) **Size of the projected Cash flows** must be considered before borrowing.
 - (2) **Interest Coverage Ratio** refers to the number of times earnings before interest and taxes of a company covers the interest obligation.
 - (3) **Debt Service Coverage Ratio** takes care of the deficiencies referred to in the interest coverage ratio.
 - (4) More debt can be used if debt can be raised at a **lower rate /cost**
 - (5) A higher **Tax Rate** makes debt relatively cheaper and increases its attraction for equity.
 - (6) Process of **raising resources** also involves some cost which may affect the choice between debt and equity and hence capital structure.
 - (7) If a firm's **business risk is lower**, its capacity to use debt is higher and vice versa.
 - (8) To **maintain flexibility** the firm must maintain some borrowing power to take care of unforeseen circumstances.
 - (9) **Capital Structure of other companies** is a useful guideline in the capital structure planning.
 - (10) **Stock Market Conditions** often affect the choice between debt and equity.
 - (11) Every company operates within a **regulatory framework** provided by the law.
 - (12) Control as a factor also influences the choice between debt and equity especially in

companies in which the current holding of management is on a lower side.

- (13) If the **ROI** of the company is higher, it can choose to use trading on equity to increase its EPS.
- (14) When a company increases debt, the **financial risk** faced by the equity shareholders increases consequently their desired rate of return may increase.

31. The significance of principles of management are as follows: (6)

- (1) **Providing managers with useful insights into reality:** Management principles give managers a practical understanding of problems in the actual world. Managers are guided by these principles when resolving various business issues. It provides the managers with the knowledge, abilities, and skills they need to carry out their duties.
- (2) **Optimum utilisation of resources and effective administration:** We all know that an organisation's resources, whether they be human or material, are always limited. The term "**optimum utilisation**" refers to the use of resources to get maximum benefit at the lowest possible cost. Managers can better understand the impact of their decisions and actions by using principles. As a result, waste can be avoided.
- (3) **Scientific Decisions:** Decisions must be based on accurate information, careful thought, and logic concerning their desired goals. They have to be measurable, evaluable, realistic, and timely. Management decisions based on principles are free from bias and prejudice.
- (4) **Meeting changing environment requirements:** Management principles are general guidelines that must be modified to adapt the organisation to the constantly changing business environment.
- (5) **Fulfilling social responsibility:** An organisation should continue to fulfill its social obligations because it operates in society and uses resources that belong to society. Managers must balance their responsibilities for social responsibility and organisational goals, and this is ensured by management theory and principles.

OR

Principles of Management given by Henry Fayol:

- (1) **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 organisation should receive orders from and be responsible to only one superior. Fayol gave a lot of importance to this principle. He felt that if this principle is violated "authority is undermined; discipline is in jeopardy, order disturbed and stability threatened". The principle resembles military organisation. Dual subordination should be avoided.
- (2) **Equity:** Good sense and experience are needed to **ensure fairness to all employees**, who should be treated as fairly as possible," according to Fayol. This principle emphasises kindness and justice in the behavior of managers towards workers. This will ensure loyalty and devotion. Fayol does not rule out use of force sometimes. Rather he says

that lazy personnel should be dealt with sternly to send the message that everyone is equal in the eyes of the management. There should be **no discrimination against anyone on account of sex, religion, language, caste, belief or nationality** etc.

- (3) **Remuneration of Employees:** The **overall pay and compensation should be fair** to both employees and the organisation. The employees should be paid fair wages, which should give them at least a reasonable standard of living. At the same time it should be within the paying capacity of the company. In other words, remuneration should be just and equitable. This will ensure a congenial atmosphere and good relations between workers and management. Consequently, the working of the company would be smooth.
- (4) **Initiative:** 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. 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 employee suggestion system whereby initiative/suggestions which result in substantial cost/time reduction should be.

32. Importance of planning function of management are as follows:

(6)

- (1) **Planning provides direction:** Planning ensures that the goals or objectives are clearly stated so that they act as a guide for deciding what action should be taken and in which direction.
- (2) **Planning reduces the risks of uncertainty:** Planning is an activity which enables a manager to look ahead and anticipate changes. By deciding in advance the tasks to be performed, planning shows the way to deal with changes and uncertain events.
- (3) **Planning reduces overlapping and wasteful activities:** Planning serves as the basis of coordinating the activities and efforts of different divisions, departments and individuals. It helps in avoiding confusion and misunderstanding.
- (4) **Planning promotes innovative ideas:** Planning is deciding in advance what to do and how to do. Before doing something, manager must formulate an idea of how to work on a particular task. Thus, planning promotes innovative ideas.
- (5) **Planning facilitates decision-making:** Planning helps a manager to look into the future and make a choice from amongst various alternative courses of action.
- (6) **Planning establishes standards for controlling:** Planning provides the goals or standards against which actual performance is measured. By comparing actual performance with some standards a manager can know whether they have actually been able to attain the goals and deviations can be corrected. If there were no goals, then controlling would not be possible. Thus, planning provides the basis for controlling.

OR

Steps in the process of planning to be followed by a manager ***before performing the step of evaluation of alternatives:***

- (1) **Setting Objectives:** The **first and foremost step is setting objectives**. Every organisation must have **certain objectives**. Objectives may be **set for the entire organisation** and each

department or unit within the organisation. Objectives or **goals specify what** the organisation **wants to achieve**. It could mean an increase in sales by 20% which could be the objective of the entire organisation. How all departments would contribute to the organisational goals is the plan that is to be drawn up. Objectives should be stated clearly for all departments, units and employees. They give **direction to all departments**. Departments/ units then need to set their own objectives within the broad framework of the organisation's philosophy. Objectives have to percolate down to each unit and employees **at all levels**. Managers must **contribute ideas and participate** and must understand how their actions contribute to achieving objectives. If the **end result is clear** it becomes easier to work towards the goal.

- (2) **Developing Premises:** Planning is concerned with the future which is uncertain and every planner is using conjecture about what might happen in future. Therefore, the manager is required to make **certain assumptions about the future**. These **assumptions are called premises**. Assumptions are the **base material upon which plans are to be drawn**. The base material may be in the form of forecasts, existing plans or any past information about policies. The premises or assumptions must be the same for all and there should be total agreement on them. All managers involved in planning should be familiar with and use the same assumptions. It is a **technique of gathering information**. **For example:** Demand for a particular product, policy change, interest rates, prices of capital goods, tax rates etc. Accurate forecasts therefore become essential for successful plans.
- (3) **Identifying alternative courses of action:** Once objectives are set, assumptions are made. Then the next step would be to act upon them. There may be many ways to act and achieve objectives. All the alternative courses of action should be identified. The course of action which may be taken could be either routine or innovative. An innovative course may be adopted by involving more people and sharing their ideas. If the project is important, then more alternatives should be generated and thoroughly discussed amongst the members of the organisation.

33. Channel of distribution refers to the *paths through which the ownership* (6)

of a product passes during the course of its journey from the producer to the ultimate consumer. **Channel of distribution consist of intermediaries or middlemen who help the product in reaching the ultimate consumer or industrial user.**

Channels of distribution may be classified as **direct channel and indirect channel**. When there is a **direct contact between the producer and the consumer it is called direct marketing or Zero level channel**. On the other hand, **when middlemen are used for distribution of goods, it is called indirect channel**.

Indirect channels can be of categorised as:

- (1) **One-level channel:** This consists of manufacturer-**retailer**-consumer. Here manufacturer directly sells the product to the retailer who then sells them to final consumer.
- (2) **Two-level channel:** This comprises of manufacturer - wholesaler- **retailer** - consumer. Here, manufacturer sells the product to the wholesaler in bulk, who then sells them to the retailer in smaller quantities, which are then sold by retailer to the consumers.
- (3) **Three-level channel:** This comprises of manufacturer-**agent- wholesaler-retailer**-consumer. Here manufacturer use their agents to connect with wholesalers and then to retailers. The retailer then sells goods to the consumers.

34. **Factors affecting working capital requirements** of 'Knitwear Ltd.': (Any Six)

(6)

- (1) **Nature of business:** The **nature** of the business influences working capital requirements, since trading organisations require less working capital than manufacturing organisations because there is no processing. Because they do not keep inventory, service businesses require less working capital.
- (2) **Scale of operation:** The **size** of a company's activities has an impact on the amount of working capital needed because larger companies typically have bigger inventories and debtor ratios.
- (3) **Seasonal factors:** **Seasonal** factors influence working capital requirements, as peak season requires more working capital than lean season due to higher activity levels.
- (4) **Availability of raw material:** The free and constant **supply** of raw materials allows enterprises to hold less inventory and hence work with less working capital.
- (5) **Level of competition:** The level of **competitiveness** influences working capital requirements since stronger competition necessitates larger stocks to meet customers' urgent demands, resulting in higher working capital.
- (6) **Credit Allowed:** **Credit policy** of the company determines the average time period needed to collect the sale proceeds. Different firms allow different credit terms to their customers. It depends on competition level and credit worthiness of customers.

Note: Extra points: Credit Allowed, Availability of Raw material, Operating efficiency, Growth prospects, Level of competition, Inflation.
