

**CBSE 12<sup>th</sup> – 2022-23**

## **Business Studies**

### **Answers**

#### **Section A**

**1. Correct Answer: A**

Providing facilities of Schools, creches, and hospitals is the social objective of management.

**2. Correct Answer: A**

Henry Fayol was a mining engineer in the beginning. Later on, he started at the mining company 'Compagnie de commentary-Fourchambean-Decazeville, ultimately acting as its managing director.

**3. Correct Answer: A**

**4. Correct Answer: D**

Strategy is the type of plan being described in the question.

**5. Correct Answer: B**

Planning is the function of the Manager.

**6. Correct Answer: A**

Organising facilitates growth and diversification of activities through clear division of work. It helps in developing a proper organisation structure and the extent and nature of decentralisation can be determined.

**7. Correct Answer: B**

Functional structure is the organizational structure in which no department is responsible for end results.

**8. Correct Answer: B**

Accountability implies being answerable for the final outcome. Once authority has been delegated and responsibility accepted, one cannot deny accountability. It cannot be delegated and flows upwards, i.e., a subordinate will be accountable to a superior for satisfactory performance of work.

**9. Correct Answer: C**

In a divisional structure, the organisation structure comprises of separate business units or divisions. Each unit has a divisional manager responsible for performance and who has authority over the unit.

**10. Correct Answer: D**

Reduce job performance occur due to internal recruitment

**11. Correct Answer: A**

The elements of Directing can be grouped in below four categories: supervision, motivation, leadership & communication.

**12. Correct Answer: B**

Basic physiological needs are most basic in the hierarchy of motivation theory and correspond to primary needs.

**13. Correct Answer: A**

Setting performance standards through the process of planning forms the first function of management control. Work plan or finance plan or strategic plan gives a direction for performance and audit. Thus, without laying down work plan it would be like working without a foresight of the path that has to be undertaken.

**14. Correct Answer: B**

Managing any task or job starts with planning the task that is looking ahead or forward. When management of the task has to be effective and efficient it has to be audited or controlled by looking back or taking a check of how the task has been conducted or performed. Thus, delivering the task effectively and also enhancing the performance.

**15. Correct Answer: D**

Business finance is needed to establish, run, expand a business.

**16. Correct Answer: B**

The interest coverage ratio refers to the number of times earnings before interest and taxes of a company covers the interest obligation.

**17. Correct Answer: D**

Primary and secondary markets complement each other. Primary market deals with the issue of new securities while secondary market deals in the purchase and sale of the existing securities.

**18. Correct Answer: B**

The National Stock Exchange of India Limited (NSE) commenced trading in derivatives with the launch of index futures on June 12, 2000.

**19. Correct Answer: A**

Describes the product and specify its contents is the function of labelling.

**20. Correct Answer: C**

Tehsil Forum is not a part of the three-tier judicial machinery.

## **Section B**

21. a. i. A new Government coming into power - Political Environment.

ii. Change in the policy of Import-Export - Economic Environment.

b. The characteristic of Economic Environment: Inter-relatedness: The different factors of Business Environment are interrelated; for example, changes in the Import-Export policy with the coming of a new Government in power. Here, the coming of a new Government in power is a political change and the change in Import-Export policy, an economic change.

22. i. Informal organisation is the type of organisation that Ragunath is desirous of promoting in the company. The informal organisation may be defined as “a network of personal and social relationships that arise spontaneously as people associate with one another in a work environment. It is composed of all the informal groupings of people within a formal organisation.” Over time there are

changes of memberships in most informal organisations. There is interdependence among the members because each one needs the other’s company. People from such informal groups because they do benefit from such memberships in one way or another. On the contrary, the informal organisation throws a challenge for a manager because it consists of actual operating relationships not prescribed by the formal organisation.

ii. The three advantages of informal organisation are stated below:

a. Informal organizations have several benefits. Firstly, they inculcate a sense of unity and togetherness among their members.

b. This happens because of the social interactions they indulge in with each other. This consequently leads to work satisfaction and stability in the organization.

c. Furthermore, a robust informal organization can be an effective means of swift communication. Both employees and well as managers can use this.

23. These objectives are related to satisfying the personal needs of the employees. Management must seek to satisfy the diverse needs of employees in the following manner.

i. Financial needs:

By giving competitive salary and perks so that he can feel secure and motivated towards work always.

ii. Social needs:

By peer recognition or by giving them a status so that its colleague gave them respect.

iii. Higher level needs:

By providing opportunities for personal growth and development so that he can reach the aim of their life what he wants to be.

**OR**

While purchasing, using and consuming goods and services, consumers have following responsibilities:

- i. Be aware of different goods and services available.
- ii. Buy only standardised goods.
- iii. Learn about the various risks associated with products.

24. i. The management function which helps in finding out that the actual production of a worker is less than the set target is known as controlling. Here, comparing actual performance with standards or appraisal of performance is the step involved in the process of controlling. This step is in complete sync with planning because the comparison is with the set standard.

ii. There are various steps but broadly a manager has to take the basic two steps to complete the process of controlling.

**a. Analysing deviations:**

Deviations can be due to multiple reasons like unrealistic standards, defective process, the inadequacy of resources, environmental factors, etc and these deviations can be small and broad so management has to keep a continuous eye before it gets too broad.

**b. Taking corrective actions:**

The final step in the control process is taking appropriate actions so that deviations may not occur again and the **objectives of the organisation** are achieved. It may also necessitate reforming the process of selection and training of workers. Thus, controlling may require changes in all other managerial functions. Especially planning because there is a possibility of standards being too high to achieve so there would be some need to change the planning too.

**OR**

a. Financial planning is the type of financial service that Subhash has offered to Bhuvan. Financial Planning is the process of estimating the capital required and determining its competition. It is the process of framing financial policies in relation to procurement, investment and administration of funds of an enterprise.

b. The four points highlighting the importance of financial planning are as follows:

- i. It ensures the smooth running of a business enterprise by ensuring the availability of funds at the right time.
- ii. It helps in anticipating future requirements of funds and evading business shocks and surprises.

- iii. It facilitates coordination among various departments of an enterprise like marketing and production functions, through well-defined policies and procedures.
- iv. It increases the efficiency of operations by curbing wastage of funds, duplication of efforts, and gaps in planning.

### Section C

25. Principle of scalar chain helps in solving problems faster in the following ways:

- i. Scalar chain serves as a chain of command. Orders and instructions issued at higher levels flow through scalar chain.
- ii. Scalar chain also functions as a chain of communications.

Principle of unity of command implies that an employee should receive orders from one superior only. Unity of command promotes loyalty, discipline and a sense of personal responsibility in the subordinates. In the absence of this principle, there is bound to be confusion and conflict. In this process, work performance is likely to suffer. Unity of command makes it easy to fix responsibility for mistakes.

OR

Delegation occurs when someone with authority confers upon another person the power to do a particular task. Delegation is usually a one-way street - superiors delegate authority to subordinates. However, ultimate responsibility for task completion usually remains the responsibility of the person who delegated the authority to complete it.

**Difference:**

| Basis                     | Delegation   | Decentralisation   |
|---------------------------|--|--|
| Scope                     | It involves entrusting the authority by a manager to his immediate subordinates in a work unit. Thus, it is narrow in scope. | It involves systematic delegation of authority at all levels a functions of the organisation. Thus, it is wider in scope.                                      |
| Significance              | It is a routine act of managing to get things done through subordinates.   | It is a vital decision with a view to prepare the organisation handling major expansion of its activities and for coping w changing conditions of environment. |
| Freedom of action/Control | Subordinates have less freedom of action since they are kept under close supervision by their superiors                      | Managers have greater freedom of action since they are not under close supervision by their superiors.   |

|              |  |  |
|--------------|--|--|
| Essentiality | It is a essential aspect of organising and managing since an organisation cannot function without delegation of authority. | It is a not an essential feature of organising and managing since an organisation can function without decentralisation. It is a matter of choice an preference of the top management. |
|--------------|--|--|



26. **1. 'Personal Selling'** is used by the marketer. Personal selling is also known as face-to-face selling in which one person who is the salesman tries to convince the customer in buying a product. It is a promotional method by which the salesperson uses his or her skills and abilities in an attempt to make a sale.

**2. Two qualities of good salesman are:**

**Mental Qualities:**

He must have adequate mental qualities. These include mainly: skill, mental alertness, sharp memory, initiative, imagination, and self-confidence. That salesman will turn out to be a successful salesman who possesses all these qualities. A salesman endowed with mental qualities alone can grasp quickly the psychology of the customers and conducts himself accordingly.

**Physical Qualities:**

A salesman can be called a good salesman if he is physically fit in all respect. Physical fitness is the greatest asset of a salesman. Physical qualities include personality, stamina, health, and tolerance. He should possess a robust personality. He should have an attractive and smiling face full of self- confidence. His dress must be appealing, a way of talking must be convincing and his outlook should be healthy.



OR

**Objections to advertising are as follows**

**i. Undermines social values:**

The advertisements inform people about more and more products to attract customers. This induces the customers to buy more and more products and sometimes customers compel to use those commodities which they do not require. In this way, our wants are unnecessarily increased. If wants remain unsatisfied, we feel discontented. The desire to have more and more things is multiplying and lifestyle is badly affected. Some advertisements show new lifestyles, which cannot be socially approved.

**ii. Encourage sale of Inferior goods:**

Advertisement generally speaks very high of the products. With the help of advertising, anything can be sold in the market. Sometimes products advertised are defective and adulterated. In this way, consumers are misled and suffer losses with the use of commodities instead of benefits.



**iii. Adds to cost:**

Advertising adds to the cost of the product and the price of the commodity unnecessarily increases because the firms spend a huge amount on advertising and these expenses are added to the cost. The consumers pay for advertised commodity more than what they would have paid for the same unadvertised commodity.

**iv. Confuses the buyer:**

There are so many advertisements for certain products such as TV, detergents, etc. if we take a TV, there are different companies advertising for that such as Sony, LG, Samsung, Micromax etc. The claims made by different companies confuses the consumer as which products should be purchased and which is better.

27. a. Mr. Sodhi improved the skill of the employees by imparting training to them.

“Training refers to a process designed to maintain and improve current job performance.”

b. In this case, ‘Principle of order’ has been violated.

According to the ‘Principle of order’, Proper person should be placed at proper work and proper thing should be kept at a proper place. In every enterprise, there should be two separate orders e.g., material order in case of Physical Resources and social order in case of Human Resources. Keeping physical resources in order means: “A proper place for everything and everything in its right place.” Similarly, keeping human resources in order means: “A place for everyone and everyone in his appointed place”.

c. Value that has been ignored.

i. Impartiality

ii. Proper use of resources

28. Reshma is working as a manager at middle level of management who act like a linking pin between top and lower level of management. She has to perform following basic functions:

i. To act as a link between top level management and operative management and to interpret the policies framed by top management to the lower level management.

ii. To ensure that their department has the necessary personnel if not than recruit them.

iii. To assign duties and responsibilities to the people working under him to fulfill the obligation on time.

iv. To motivate and co-operate others to achieve the desired objectives and cooperate with all departments to make functioning smooth & reliable.

29. i. The style used by Sandhya which is based on the use of authority is the Democratic style of leadership. Democratic leadership or I would say participative leadership, is a type of management style in which members of the group take a more participative role in the decision-making process. Everyone is given the opportunity to participate, ideas are exchanged freely, and discussion is encouraged. While the democratic process tends to focus on group equality and the free flow of ideas, the lead of the group is still there to offer guidance and control.

**ii. The two positive aspects of informal communication are stated below:**

**a. Fast and Effective Communication:**

Under this communication, the messages move fast and their effect is equally great on the people.

**b. Free Environment:**

Informal communication is done in a free environment. Free environment means that there is no pressure of any office-big or small. The reactions of the employees can easily be collected.

30. i. (d) Social Environment

ii. (c) Economic Environment

iii. (d) Technological Environment

iv. (b) Rural Development

## Section D

**31. Advantages of Planning:**

**i. Planning provides Direction:**

Under the Process of planning the objectives of the organization are defined in simple and clear words. The obvious outcome of this is that all the employees get a direction and all their efforts are focused towards a particular end. In this way, planning has an important role in the attainment of the objectives of the organization.

## **ii. Planning reduces Risks of Uncertainty:**

Planning is always done for the future and the future is uncertain. With the help of planning, possible changes in the future are anticipated and various activities are planned in the best possible way. In this way, the risk of future uncertainties can be minimized.

## **iii. Planning reduces Overlapping and Wasteful Activities:**

Under planning, future activities are planned in order to achieve objectives. Consequently, the problems of when, where, what and why are almost decided. This puts an end to disorder and suspicion. In such a situation, coordination is established among different activities and departments. It puts an end to overlapping and wasteful activities.

### **Limitation of planning:**

#### **i. Planning Creates Rigidity:**

Although the quality of flexibility is inherent in planning, it must be admitted that only small changes are possible. Big changes are neither possible nor in the interest of the organization. Since it is not possible to introduce desired changes according to the changed situation, the organization loses many chances of earning profits.

#### **ii. Planning does not work in a Dynamic Environment:**

Planning is based on the anticipation of future happenings. Since the future is uncertain and dynamic, therefore, the future anticipations are not always true. Therefore, it can be said that planning does not work in a dynamic environment.

**OR**

### **The following are the important functions of labelling:**

#### **i. Describe the Product and Specify its Contents:**

A label provides complete information regarding the product. It mainly includes ingredients of the product, its usage, and caution in use cares to be taken while using it, date of manufacturing, batch number, etc.

#### **ii. Identification of the Product or Brand:**

It is easier to identify a particular product among many with the help of labelling. For example, you as a consumer want to select CINTHOL SOAP. The task of finding the desired soap from a heap of various branded soaps becomes easier with the help of labelling.

### **iii. Grading of Product:**

When a product has different qualities, labelling helps to find out which pack contains what type of quality. For example, Hindustan Unilever Ltd., manufactures three types of tea and to differentiate each type of tea, the company uses Green, Red and Yellow coloured labels.

### **iv. Help in Promotion of Products:**

The fourth function of labelling is to promote sales. Sometimes a consumer gets encouraged to buy a product simply due to an attractive label. Nowadays labelling is used as an effective sales promoting tool.

### **v. Providing the information required by Law:**

Another important function performed by labelling is to provide statutory warning required by law. To put 'smoking is injurious to health' on the package of cigarettes and 'Chewing Tobacco is Injurious to Health' on the package of Pan Masala are the examples of statutory warning. Similarly, in case of hazardous or poisonous products, appropriate statutory warning needs to be put on the label.

## **32. Various steps in the process of staffing are as follows**

### **i. Estimating manpower requirements:**

It refers to finding out the number of persons or employees and type of employees needed in the organisation in near future. At the time of determining the number of persons required, the possibilities regarding internal promotions, retirements, resignations and dismissals, etc.

#### **a. Work load analysis:**

Finding the number and type of employees required to perform various jobs.

#### **b. Work force analysis:**

Analysing existing work force already occupying the job positions.

#### **c. Comparison:**

The manager compares the two and find out the excess of work load over work force indicating under staffing, and thus fulfills the gap.

**ii. Recruitment:**

It refers to the process of inducing the people to apply for the job in the organisation. After assessing the number and type of required employees, the manager tries to get a greater number of applicants for the job, so that the organisation can select better candidates.

**iii. Selection:**

It refers to the choosing of most suitable candidate to fill the vacant job position. Selection is done through a process, which involves tests, interviews, etc. It is important to keep in mind that the ability of the applicant and the nature of work must match.

**iv. Placement and orientation:**

Placement refers to join the post for which a person has been selected. After this, a brief presentation about the company is given and employee is introduced to his superiors, subordinates and colleagues and it refers to orientation.

**v. Training and development:**

In this step, training is imparted to the selected candidate, by which he/she can enhance his/her skills, knowledge, which increases their efficiency and effectiveness.

**vi. Performance appraisal:**

It refers to evaluating the performance of employees against some standards which are known to employees in advance. To judge his capability his actual work performance is compared with the work assigned to them.

**vii. Promotion and career planning:**

Promotions are an integral part of people's career. It means people placed in positions of increased responsibility on the basis of their capability and it usually means more pay, responsibility and job satisfaction.

**viii. Compensation:**

It refers to fixing the compensation of an employee for his contribution to the organisation. It includes pay, rewards and other incentives given to all the employees. It includes direct as well as indirect payments. It may be of two types:

**a. Direct Financial Payments:** It includes wages, salaries, incentives, commissions and bonuses

**b. Indirect payments:** It includes insurance, medical vacations etc

**OR**

Planning and controlling are inter-related to each other. Planning sets the goals for the organization and controlling ensures their accomplishment. Planning decides the control process and controlling provides sound basis for planning. In reality planning and controlling are both dependent on each other. In the words of M.C. Niles, "Control is an aspect and projection of planning, whereas planning sets the course, control observes deviations from the course, and initiates action to return to the chosen course or to an appropriately changed one."

**The relationship between planning and control can be explained as follows:**

**i. Planning Originates Controlling:**

In planning the objectives or targets are set in order to achieve these targets control process is needed. So planning precedes control.

**ii. Controlling Sustains Planning:**

Controlling directs the course of planning. Controlling spots the areas where planning is required.

**iii. Controlling Provides Information for Planning:**

In controlling the actual performance is compared to the standards set and records the deviations, if any. The information collected for exercising control is used for planning also.

**iv. Planning and Controlling are Interrelated:**

Planning is the first function of management. The other functions like organizing, staffing, directing etc. are organized for implementing plans. Control records the actual performance and compares it with standards set. In case the performance is less than that of standards set then deviations are ascertained. Proper corrective measures are taken to improve the performance in future. Planning is the first function and control is the last one. Both are dependent upon each other.

**v. Planning and Control are Forward-Looking:**

Planning and control are concerned with the future activities of the business. Planning is always for future and control is also forward looking. No one can control the past, it is the future which can be controlled. Planning and controlling are concerned with the achievement of business goals. Their combined efforts are to reach maximum output with minimum of cost. Both systematic planning and organized controls are essential to achieve the organizational goals.

33. Dividend decision refers to the policy that the management formulates in regard to earnings for distribution as dividends among shareholders. The Dividend Decision, in Corporate finance, is a decision made by the directors of a company about the amount and timing of any cash payments made to the company's stockholders. The Dividend decision is an important one for the firm as it may influence its capital structure and stock price. In addition, the Dividend decision may determine the amount of taxation that stockholders pay. The five factors which will help Ankit, in taking the dividend decision are described below:

**a. Earnings:**

Since the dividends are paid out of current and past earnings, there is a direct relationship between the amount of earnings of the company and the rate at which it declares dividend. If the earnings of the company are high, it may declare a higher dividend or vice-versa.

**b. Cash flow position:**

Since the dividends are paid in cash, if the cash flow position of the company is good it may declare higher dividend or vice-versa.

**c. Access to capital market:**

If the company enjoys an easy access to the capital market because of its credit worthiness. It does not feel the need to depend entirely on retained earnings to meet its financial needs. Hence, it may declare higher dividend or vice-versa.

**d. Growth prospects:**

If the company has any forthcoming investment opportunities, it may like to retain profits to finance its expansion projects. This is because retained profits are considered to be the cheapest source of finance as it doesn't involve any explicit costs. Hence, it may declare a lower dividend or vice-versa.

**e. Preferences of the shareholders:**

The companies paying stable dividends are always preferred by small investors primarily if they want regular income in the form of 'stable returns' from their investments. Large shareholders may be willing to forgo their present dividend in pursuit of higher profits in future. Therefore, the preferences of the shareholders must be taken into consideration.

34. a. Commercial paper
- b. Money market instrument
- c. Brokerage, cost of advertising, etc.
- d. It is issued to meet seasonal and working capital needs.
- e. Treasury bill and commercial paper.

