

**Guess Paper – 2014**  
**Class – XII**  
**Subject – BUSINESS STUDIES**

**Max. Marks - 90**

**Time - 3 Hrs.**

**General Instructions: -**

1. Answers to questions carrying 1 mark may be from one word to one sentence.
2. Answer to questions carrying 3 marks may be from 50 to 75 words.
3. Answer to questions carrying 4-5 marks may be about 150 words
4. Answer to questions carrying 6 marks may be about 200 words.
5. Attempt all parts of a question together.

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- |   |     |
|---|-----|
| Q1. Why induction is not required in the internal source of recruitment?  | (1) |
| Q2. Give the meaning of 'Autocratic Style' of Leadership.   | (1) |
| Q3. Rajat a Sales Manager, achieved his sales target one month in advance. This achievement was displayed on the notice board and the CEO of the Company awarded a certificate for the best performance to him. Name the incentive provided to Rajat. | (1) |
| Q4. Name the function which reviews the operations of business unit.  | (1) |
| Q5. Define investment decision.   | (1) |
| Q6. What is meant by Financial Planning?.   | (1) |
| Q7. Give the meaning of money market.   | (1) |
| Q8. What is meant by financial market?  | (1) |
| Q9. Enumerate any two qualities of a good Salesman.   | (1) |
| Q10. What is meant by 'Promotion Mix'?  | (1) |
| Q11. Why consumer protection is important for business? Give one reason.  | (1) |
| Q12. When can a consumer make an appeal in the supreme court under 'The Consumer Protection Act 1986'?  | (1) |
| Q13. Mr. Ram is working as Marketing Manager in ABC Ltd. State any three functions performed by him.  | (3) |
| Q14. Explain the following principles of Scientific Management:-<br>a) Harmony not discord.<br>b) Co-operation not Individualism  | (3) |
| Q15. State any three Limitations of planning.   | (3) |
| Q16. Explain the meaning of 'Objectives' as a type of plan.   | (3) |
| Q17. State any three features of a good brand name.   | (3) |
| Q18. Explain the following two functions of Marketing :-  |     |

i) Product Designing and Development

ii) Marketing Planning

(3)

Q19. The Employees of Manik Ltd. , a software company, have formed a dramatic group for their recreation. Name the type of organization so formed and state its three features. (4)

Q20. What is meant by Divisional Structure of Organization? State it's any three advantages. (4)

Q21. State any four factors which help in determining the working Capital requirements of a Company. (4)

Q22. Kayco LTD. is manufacturing detergents. They decide to launch a new range of herbal products. As they are in a hurry, they have tested products on animals only. The necessary information is missing on the package. The management also plans to launch a new factory in a tribal area where the required products are easily available and the labour-men, women and children are available for work at low wages in the absence of development opportunities and schools.

a) Which values do you find disturbing in the above Para?

b) Will the decision to install a new unit in a tribal area help society? Highlight the social values involved in his decision. (4)

Q23. "Success of an organization largely depends upon its management" Explain any five reasons to justify the statement. (5)

Q24. Explain with the help of one example each how do 'Political Environment' and 'Legal Environment' affect the functioning of a business enterprise. (5)

Q25. Internal sources of recruitment are better than External source of recruitment source? State any five reasons. (5)

Q26. "Control requires a systematic process". explain this statement (5)

Q27. Communication originally drafted in English has been very poorly translated in Hindi. Name the type of barrier to effective communication and explain any other Five barriers of this type.

OR

What is motivation? Explain Maslow's need hierarchy theory of motivation. (1+5)

Q28. You are the financial manager of a company. The Board of Directors has asked you to design the capital structure of the company. State any six factors that you would Consider while doing so.

OR

What is dividend decision? state any four factors affecting the dividend decision. (2+4)

Q29. Explain the steps in the 'Trading Procedure' of Stock Exchange

OR

Explain any four methods of floatation of new issues in the Primary Market. (6)

Q30. Identify the method of sales-promotion in the following cases: (6)

- (i) A mobile company offers a discount of Rs. 1000 to clear off excess inventory.
- (ii) A customer gets Rs.5 off on return of an empty wrapper while making a new purchase of the same product.
- (iii) A Company offers a pack of ½ kg. of sugar with the purchase of a 5 kg. bag of wheat flour
- (iv) A company offers 40% of extra shaving cream in a pack of 500 gms.
- (v) Scratch a card and get a gold coin with the purchase of a cold drink.
- (vi) Purchase goods worth Rs. 50,000 and get a holiday package worth Rs.10,000 free.

OR

Explain any four factors which affect the determination of the price of a product.

### Marking Scheme

- 1. Because the employees are already well familiar with the organization. (1)
- 2. It refers to that Leadership in which, a leader tends to run the show by himself. (1)
- 3. The Incentive provided to Rajat is - 'Recognition' (1)
- 4. Controlling function. (1)
- 5. It refers to the selection of assets in which funds will be invested by the business. (1)
- 6. It refers to the preparation of financial blueprint of an organization's future operations (1)
- 7. It refers to that market where transactions in short term securities are made. (1)
- 8. A financial market is a market for the creation and exchange of financial assets. (1)
- 9. Qualities of a good salesman are: (i). Physical Attributes; (ii). Social Attributes; (iii).Mental Attributes and (iv) Vocational Attributes. (any two)

OR

Qualities of a good salesman: (any two)

- (i). A good personality; (ii). Sound health and stamina; (iii).Presence of mind; (iv). Imagination; (v). Quick observation and judgement; (vi). Self Confidence; (vii). Initiative; (viii). Sharp memory and intelligence; (ix). Convincing conversationalist; (x).Honest and of sound character;(xi). Cooperative and helpful; (xii).Tactful; (xiii).Inborn aptitude and talent; (xiv). Ambitious; (xv) Enthusiastic;(xvi). Energetic; (xvii). Disciplined and loyal. ( ½ + ½=1 )
- 10. Promotion mix refers to combination of promotion tools used by an organisation to achieve its objectives. (1)
- 11.It helps long existence of the business through consumer satisfaction. (1)
- 12. An order passed by the National Commission in a matter of its original Jurisdiction

is appealable before the Supreme Court.

(1)

13. Functions of Middle Management (any three) -

- i) interpreting policies
- ii) Appointing employees.
- iii) Motivating Employees.

(1x3=3)

14. (i) Harmony, not discord:

As per this principal, such an atmosphere should be created in the organization that labour and management considered each other indispensable. Taylor has referred to such a situation as a Mental Revolution.

(ii) Cooperation, not Individualism

There should be complete cooperation between employees and management instead of individualism. It is an extension of Principle of harmony not Discord. Management should not close its ears to constructive suggestion by employees but should reward their suggestions which result in substantial reduction in costs. Workers should be a part of management and a part of all important decisions. Workers on the other hand should desist making unreasonable demands. When there is open communication system and goodwill there will be no need for trade unions. There should be almost equal division of work and responsibility between employees and management. Management should help, encourage and smooth the way for employees.

(1 ½ + 1 ½=3)

15. Any three Limitations

- i. Planning reduces creativity.
- ii. Planning Involves Huge Cost.
- iii. Planning creates rigidity

(1 mark for each 1 x 3 = 3)

16. \* Objectives are the desired future position that the management would like to reach.

- \* They serve as the guide for overall planning and are usually set by the top management.
- \* They need to be expressed in specific terms.

(3)

17. Feature of a good brand name: (Any three)

- (i) It should be short, easy to pronounce, spell, recognize and remember.
- (ii) It should suggest the product's benefits and qualities.
- (iii) It should be distinctive.

(iv) It should be adaptable to packaging or labeling requirement.

(v) It should be sufficiently versatile to accommodate new products which are added to the product line.

(vi) It should be capable of being registered and protected legally.

(vii) It should not get out of date very soon.

(3)

18.

(i) Product Designing and Development

The decision of the product contributes to making the product attractive to the target customers. A good design can improve performance of a product and also give it a competitive advantage in the market. For example, when we plan to buy any product say a motorbike, we not only see its features like cost, mileage etc. but also the design aspects like shape, style etc

(ii) Marketing Planning

One important area of work of a marketer is to develop appropriate marketing plans so that the marketing objectives of the organisation can be achieved. For example, a marketer of colour TV having 10% of the current market share aims at enhancing his market share to 20% in the next three years. He will have to develop a complete marketing plan covering various important aspects including the plan for increasing the level of production, promotion of products etc. and specify the action programmes to achieve these objectives. (1 ½ x2=3)

19. The type of organisation formed by employees of Manik Ltd. is informal organisation

**Features of Informal Organisation (any three)**

(a) An informal organisation originates from within the formal organisation as a result of personal interaction among employees.

(b) The standards of behaviour evolve from group norms rather than officially laid down rules.

(c) Independent channels of communication without specified direction of flow of information are developed by group members.

(d) It emerges spontaneously and is not deliberately created by the management

(1+1x3=4)

**20. Divisional structure:- To divide the whole organisation enterprises according to the major products manufactured by its known as Divisional structure.**

Advantages:- (any three)

i. Development of divisional head.

ii. Divisional results can be assessed.

iii. Quick decision making.

(1+3)

21. Factors which help in determining the fixed capital requirements of a company are : (Any four with explanation)

(1x4=4)

i. Nature of business

ii. Scale of operation

iii. Technology Up gradation

iv. Growth Prospects

22.(A) The disturbing value in the above para are: any two

(½x2=1)

i) testing on animals is banned.

ii) no information about the products on package is violation of Right to Information.

iii) Yes, the decision of installing a new unit in tribal area will definitely help in the upliftment and development of tribal society

(1 mark)

iv)The tribal labour, men and women will get equal minimum wages to earn their livelihood.

v)Child labour is banned so schools should be opened for them.

vi) School and other supportive activities will help in community development.

vii) Equal opportunity to grow.

viii) Proper utilization of natural resources. Any two

(1x2=2)

23. Success of an organization largely depends upon its management. This can be justified with the following reasons:

- i. It helps in achieving group goals.
  - ii. It increases efficiency.
  - iii. It creates a dynamic organization
  - iv. It helps in the development of society
  - v. It helps in achieving individual goals.
  - vi. It helps in optimum utilization of resources.
  - vii. It provides vision and foresight.
- (or any other correct reason)

(1/2 mark for reason +1/2 mark for explanation=1 mark) (1x5=5)

24. Political Environment includes political conditions like

- Stability
- Peace
- Attitude of elected government representatives that impact the business entrepreneurs.

Example of Political Environment affecting the functioning of a business enterprise is - Even after opening up of the Indian Economy in 1991, foreign companies found it extremely difficult to cut through the bureaucratic red tape to get permits for doing business in India, which discouraged them from investing in our country.

Legal Environment includes various

- Legislations
- Administrative orders
- Court judgement
- Decisions rendered by various agencies at every level of government Every Management is required to obey the **law of the land**.

**Example of Legal Environment** affecting the functioning of a business enterprise is-

Advertisements for packets of cigarettes must carry the **Statutory Warning**, "Cigarette Smoking is Injurious to Health."

(1 + 1 ½)+(1 + 1 ½)=5)

- 25.
- i. No need of induction.
  - ii. Adjustment of Surplus Employee
  - iii Increase in motivation
  - iv easy selection
  - v cheaper source

(1x5=5)

26 Process of controlling

- i. Setting performance standards.
- ii. Measurement of actual performance.
- iii. Comparisons of actual performance with standard performance.
- iv. Analysis of deviations.
- v. Taking corrective measures.

(1x5=5)

27. Semantic Barriers (Faulty Translations). (1mark) Other Semantic Barriers-

- (i) Badly Expressed Messages
- (ii) Symbols with different Meanings.
- (iii) Unclarified Assumptions

- (iv) Technical Jargon
  - (v) Body Language & gesture decoding
  - (1/2 mark for the heading +1/2 mark for the explanation=1mark) (1+1x5=6)
- OR

Motivation is the process which excites people to work for the attainment of a desired goal.

Maslow's need hierarchy:-

- i. physiological needs
- ii. safety and security needs
- iii. esteems Needs
- iv. affiliation needs
- v. self-actualization needs (1+5)

28. Factors affecting capital structure (any six) are:

- (i) The size of the projected cash flows must be considered before deciding the capital structure of the firm.
- (ii) Higher the Interest coverage ratio which is calculated as follows:  $\frac{\text{EBIT}}{\text{Interest}}$ , lower shall be the risk of the company failing to meet its interest payment obligations.
- (iii) A higher Debt service coverage ratio, in which the cash profits generated by the operations are compared with the total cash required for the service of debt and the preference share capital, the better will the ability of the firm to increase debt component in the capital structure.
- (iv) If return on investment of the company is higher, the company can choose to use trading on equity to increase its EPS, i.e., its ability to use debt is greater.
- (v) More debt can be used if cost of Debt is low.
- (vi) A higher tax rate makes debt relatively cheaper and increases its attraction as compared to equity.
- (vii) If debt is used beyond a point, cost of equity may go up sharply and share price may decrease inspite of increased EPS.
- (viii) The floatation cost may affect the choice between debt and equity and hence the capital structure
- (ix) The total risk of business depends upon both the business risk and financial risk. If a firm's business risk is lower, its capacity to use debt is higher and viceversa.
- (x) To maintain flexibility the company must maintain some borrowing power to take care of unforeseen circumstances

(1x6 = 6)

Or

Dividend Decision:- it refers to the determination of how much part of the earning should be distributed among shareholders by way of dividend and how much should be retain for future needs as retains earnings.

Factors:-

- i. Earnings
- ii. Stability of Earnings
- iii. Stability of Dividends

- iv. Growth Opportunities
- v. Cash flow position (2 marks for meaning and 1 marks for each factor)

29. Trading Procedure of a Stock Market Depository' is an institution/organisation which holds securities eg: shares, debentures, bonds, mutual funds etc in electronic form, in which trading is done. DPS are agents – Stock brokers (R-Trading)

TRADING PROCEDURE ON A STOCK EXCHANGE (1x3+3=6)

The procedure for purchase and sale of securities in a stock exchange involves the following steps:

1. Selection of broker

The first step is to select a broker who will buy/sell securities on behalf of the investor. This is necessary because trading of securities can only be done through SEBI registered brokers who are the members of a stock exchange. Brokers may be individual, partnership firms or corporate books.

The broker charges brokerage / commission for his services.

2. Opening demat account

The next step is to open a demat account. Demat (Dematerialised) account refers to an account which an Indian citizen must open with the depository participant (banks, stock, brokers) to trade in listed securities in electronic form. The securities are held in the electronic form by a depository. At present, there are two depositories in India **NSDL** (National Securities Depository Ltd.) and

**CDSL** (Central Depository Services Ltd.)

Depository interacts with the investors through depository participants. Your Depository Participant will maintain your securities account balances and intimate to you the status of your holding from time to time.

3. Placing the order

The next step is to place the order with the broker. The order can be communicated to the broker either personally or through telephone, cell phone, e-mail etc. The instructions should specify the securities to be bought or sold and the price range within which the order is to be executed. Only the securities of listed companies can be traded on the stock exchange.

4. Executing the order

According to the instructions of the investor, the broker buys or sells securities. The broker then issues a contract note. A copy of the contract note is sent to the client. The contract note contains the name and the price of the securities, names of the parties, brokerage charged. It is signed by the broker.

5. Settlement

This is the last stage in the trading of securities done by the brokers on behalf of their clients. The mode of settlement depends upon the nature of the contract. Equity spot market follow a T+2 rolling settlement. This means that any trade taking place on Monday, gets settled by Wednesday. All trading on stock exchanges takes place between 9:55 am and 3:30 pm. Indian Standard Time, Monday to Friday. Delivery of shares must be made in dematerialized form, and each exchange has its own clearing house, which assumes all settlement risk.



OR

The methods of floating new issues in the Primary Market are : (Any 4)

1. Offer Through Prospectus

It is the Method of Floating new issues by inviting subscriptions from the public through issue of Prospectus. A prospectus makes a direct appeal to investors to raise capital, through advertisement in newspapers and magazines.

2. Offer For Sale

It is the method in which the Securities are not Issued directly to the Public but through intermediaries like Issuing Houses or Stock Brokers. A company sells securities en bloc at an agreed price to brokers who, in turn, resell them to the investing public.

3. Private Placement

It refers to the allotment of securities by a company to institutional investors and some selected individuals. Some companies cannot afford a public issue and choose to use private placement.

4. Rights Issue

It is the privilege given to existing shareholders to subscribe to new issue of shares in proportion to the number of shares they already hold. The shareholders are offered the 'right' to buy new shares in proportion to the number of shares they already possess.

5. E-IPO

It refers to Issuing Securities through the online system of Stock Exchanges. The company has to enter into an agreement with the stock exchange.

(1/2 mark for heading + 1 mark for explanation=1 1/2 x4=6)

30. (i) Rebate (ii) Refund  
 (iii) Product - combination (iv) Quantity - gift  
 (v) Instant draws and assigned gift  
 (vi) Lucky Draw (1x6=6)

OR

Factors affecting price determination.

- i. Cost of production.
- ii. Demand of product.
- iii. Price of competitive product.
- iv. Purchasing power of customer.

(1 1/2 for each correct heading and explanation 1 1/2 x4=6)

## BUSINESS STUDIES

### CLASS-XII

### BLUE PRINT

| Units | Very Short | Short | Long | Total |
|-------|------------|-------|------|-------|
|       |            |       |      |       |

|          | Answer(1) | Answer(3,4) | Answer5(5,6) |        |
|----------|-----------|-------------|--------------|--------|
| Unit -1  | -         | -           | 5(1)         | 5(1)   |
| Unit -2  | -         | 3(2)        | -            | 6(2)   |
| Unit -3  |           |             | 5(1)         | 5(1)   |
| Unit -4  |           | 3(2)        |              | 6(2)   |
| Unit -5  |           | 4(2)        |              | 8(2)   |
| Unit -6  | 1(1)      |             | 5(1)         | 6(2)   |
| Unit -7  | 1(2)      |             | 6(1)         | 8(3)   |
| Unit -8  | 1(1)      |             | 5(1)         | 6(2)   |
| Unit -9  | 1(2)      | 4(1)        | 6(1)         | 12(4)  |
| Unit -10 | 1(2)      |             | 6(1)         | 8(3)   |
| Unit -11 | 1(2)      | 3(2)        | 6(1)         | 14(5)  |
| Unit -12 | 1(2)      | 4(1)        | -            | 6(3)   |
|          | 12(12)    | 34(10)      | 44(8)        | 90(30) |

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