

**KENDRIYA VIDYALAYA SANGATHAN ERNAKULAM REGION**

**SAMPLE QUESTION PAPER (2012-13)**

**MARKING SCHEME**

**CLASS: XII**

**SUB: BUSINESS STUDIES**

1. It involves shifting the trainee from one department to another or from one job to another. (1)
2. Initiative (1)
3. Measures are:
  - (i) Clarify the idea before communication and
  - (ii) Consult others before communicating( $\frac{1}{2} \times 2 = 1$ )
4. Controlling (1)
5. Capital budgeting decision(or investment decision) (1)
6. It will increase the requirement of working capital (1)
7. It refers to introduction of an electronic book entry form of holding and transferring securities. It eliminates the problems of theft, forgery, transfer, delays and time involved in paper work. (1)
8. Three kinds of functions of SEBI are:
  - (i) Developmental functions
  - (ii) Protective functions
  - (iii) Regulatory functions(1)
9. A good design can improve performance of a product and also give a competitive advantage in the market. (1)
10. Yes, when the buyer takes more active role in the exchange process. ( $\frac{1}{2} + \frac{1}{2} = 1$ )
11. Sonu should look for FPO mark on the packet of juice. (1)

12. An order passed by the National Commission in a matter of its original jurisdiction is appealable before the supreme court (1)

13. Evolutionary means principles are developed on the basis of organized quantitative facts or from the long experience of the leaders and scholars of management thoughts. (3)

14. In the absence of orderliness, school objectives will not be achieved efficiently and effectively. The principle of order is concerned with arrangement of things and placement of people. The aspect of management lacking here is organizing as principle of order is being overlooked here. As a manager I will ensure that things should be placed at appropriate place to achieve maximum efficiency within given time frame work.  
I will ensure that books are kept in library, chinks in the staff room and office records in the office.

(1+1+1=3)

15. Planning is required at all levels of management as well as in all departments of organization. It is not an exclusive function of top management nor of any particular department but the scope of planning differs at different levels and among different departments. For example, the top management undertakes planning for their organization as a whole. Middle management does the departmental planning. Lower level management does day to day operational planning. (3)

16.

Policy	Rule
It is a general statement	It is the most specific statement
It is a guide to decision making	It is a guide to behavior
It lays down management attitude	It indicates what should or should not be done
It provides discretion during implementation	It provides no scope for discretion

(1x3=3)

17. Marketing management philosophy adopted by Preeta is Product concept in marketing. **The product concept** proposes that the way to realizing business goals lies in marketing products that are of high quality. The firms following this concept focus on better quality, performance and features of product. The firm achieves profit through product quality.

(1+2=3)

18. Market related factors are:

- (i) Nature of market i.e. whether market for product is industrial or consumer.
- (ii) Size of the market or number of customers.
- (iii) Geographic concentration.

(1x3=3)

19. The values neglected by the management are:

- (i) Empathy
- (ii) Respect for the workers
- (iii) Desire for peace in the organization
- (iv) Ensure stability in the organization by reducing labour turn over

(v) Understanding social needs of the workers

(4)

20. Yes, marketing manager is responsible for non achievement of the target sales to his superior.

The conclusion is based on the principle of absolute responsibility. This principles state that authority can be delegated but responsibility cannot be delegated by managers. The manager remains responsible or accountable to his own superior for the tasks which he may have assigned to his subordinates. In other words, the manger cannot escape from responsibility for any default on the part of his subordinates. The process of delegation does not relieve the manager of his own responsibility. Every superior is responsible for the acts of his subordinate to whom he delegates authority for any work.

(1+3=4)

21. Factors affecting dividend policy:

(i) **Earnings:**

Dividends are paid out of current and previous year's earnings. If there are more earnings then company declares high rate of dividend whereas during low earning period the rate of dividend is also low.

(ii) **Cash flow position:**

Paying dividend means outflow of cash. Companies declare high rate of dividend only when they have surplus cash. In situation of shortage of cash companies declare no or very low dividend.

(iii) **Growth opportunities:**

If a company has a number of investment plans then it should reinvest the earnings of the company. The retained earnings are cheaper source as they do not involve floatation cost and any legal formalities. If companies have no investment or growth plans, then it would be better to distribute more in the form of dividend

(iv) **Stability of dividend:**

Some companies follow a stable dividend policy as it has better impact on share holders and improves the reputation of the company in the share market. The stable dividend policy satisfies the investor. Even big companies and financial institutions prefer to invest in a company with regular and stable dividend policy.

(or any other correct factors)

(1x4=4)

22. In the given case, there is a violation of the consumer Right to Know. According to the amendment of the regulations in Weight and Measurement Act 2000 every product should explicitly bare a green dot for vegetarian ingredient while brown reveals that non-vegetarian ingredient have been used. It is also mandatory to show the dot on all advertisement – electronic or press and all posters, banners etc. Hence Mr.Bharti would be able to claim the compensation.

(4)

23. **IMPORTANCE OF MANAGEMENT**

(i) **Management helps in achieving group goals:**

Management tries to integrate the objectives of individuals along with organizational goals. The management directs the efforts of all the individuals in the common direction of achieving organizational goal.

(ii) **Management improves efficiency:**

Managers try to reduce the cost and improve productivity with minimum wastage of resources. Management insists in efficiency and effectiveness in the work through planning, organizing, staffing, directing and controlling.

(iii) **Management creates a dynamic organization:**

Organizations have to survive in dynamic environment so managers keep making changes in the organization to match the environmental changes. The employees in the organization are generally resistant to changes. Efficient management motivates employees to adopt changes willingly by convincing them that change is not only beneficial for organization but it improves the employees work also in the competitive world.

(iv) **Management helps in achieving personal objectives:**

An efficient manager is one who brings maximum prosperity for employer as well as employees. Managers lead the people in such a manner that along with organizational goal individual goal of employees is also achieved as organizational goal and individual goal are in one direction only. Individual wants to earn more and organization wants maximum production. Employees can earn more by producing more. This will fulfill the objectives of both the groups.

(v) **Management helps in development of society:**

Efficient management always has multiple objectives, they give due importance to social obligations towards different groups of people such as employees, customers, suppliers etc. It insists on providing quality goods, competitive salary, create employment opportunity etc. by increasing production, management also contributes increase in GDP and lead to growth of nation.

(1x5=5)

24. New Industrial Policy was introduced in 1991. Commencing from 1991, India has been going through a process of economic reforms and liberalization. All these measures together aim at modernizing the country's industrial system, removing unproductivity controls, encouraging private investments including foreign investment and integrating India's economy with global economy. The following economic changes were initiated:

- (i) Delicensing
- (ii) Entry to private sector
- (iii) Disinvestment
- (iv) Liberalization of foreign policy
- (v) Liberalization in technical area
- (vi) Setting up of Foreign Investment Promotion Board (FIPB)
- (vii) Setting up of small scale industries

(1½ + ½ x7=5)

25. STEPS INVOLVED IN STAFFING PROCESS:

- (i) **Estimating manpower requirement:**  
Staffing process begins with the estimation of manpower requirement which means finding out number and type of employees needed by the organization in near future. For estimating man power requirement, company will take the following three steps:
  - (a) Work load analysis
  - (b) Work force analysis
  - (c) Comparing both to find out requirement
- (ii) **Recruitment:**  
It refers to the process of inducing the people to apply for the job in the organization.
- (iii) **Selection:**  
It refers to choosing the most suitable candidate to fill the vacant job position. The selection is done through a process which involves tests, interviews etc.
- (iv) **Placement and orientation:**  
Placement refers to occupying of post by the candidate for which he is selected. Orientation refers to introduction of new employees to the existing employees.
- (v) **Training and development:**  
To improve the competence of employees and to motivate them it is necessary to provide training and development opportunities for employees so that they can reach to top and keep improving their skill.

(1x5=5)

26. The essential features of a good control system are as follows:

- (i) **Suitability:**  
The control system should be appropriate to the nature and need of the organization. A control system that is good to small organization may be inadequate for a big organization. Similarly, a system to control useful at a higher level of management will be different in scope and nature from that in use at the operative level.
- (ii) **Objective:**  
It can only be effective if it is objective and impersonal. So, standards of performance should be clear and definite.
- (iii) **Participation in construction:**  
It should be a joint endeavor of the manager and his subordinates. Top managements should not impose it on subordinates.
- (iv) **Follow organizational pattern:**  
Organization and control are inseparable, they cannot function properly without each other if there is to be effective management .For a control system to be effective, the many problems of who controls what, who will provide the information, who will control whom and so forth can effectively be solved only if there is an effective plan of organization to be followed.
- (v) **Corrective action:**

An adequate system of control must show the way for corrective action. It must show where and why deviations have occurred and what steps should be taken to correct them.

(vi) **Quick reporting:**

It implies quick action. Time is an important factor in a control process. Delay in sending reports may prove fatal to the organization. The aim should be to correct deviations in the immediate future, which requires that the time lag between the occurrence of a deviation and its reporting be the minimum possible.

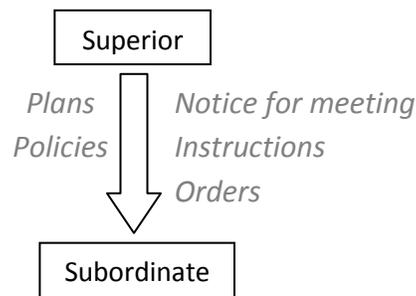
(Any five points)

(1x5=5)

27. **TYPE OF FORMAL COMMUNICATION**

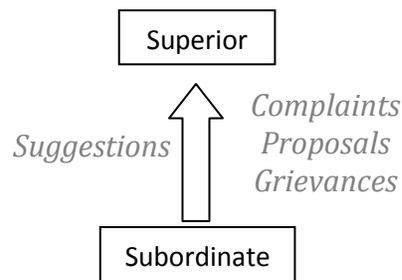
(i) **Downward communication:**

The flow of information from the top level or from the superiors to lower level or subordinates is known as downward communication.



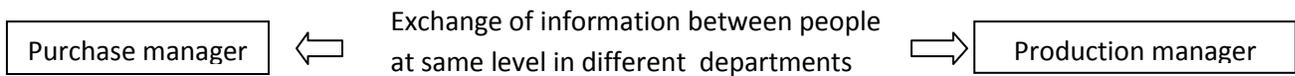
(ii) **Upward communication:**

When the subordinates inform or pass any information to superiors, then it is known as upward communication. It flows from a subordinate to his superior in the hierarchy.



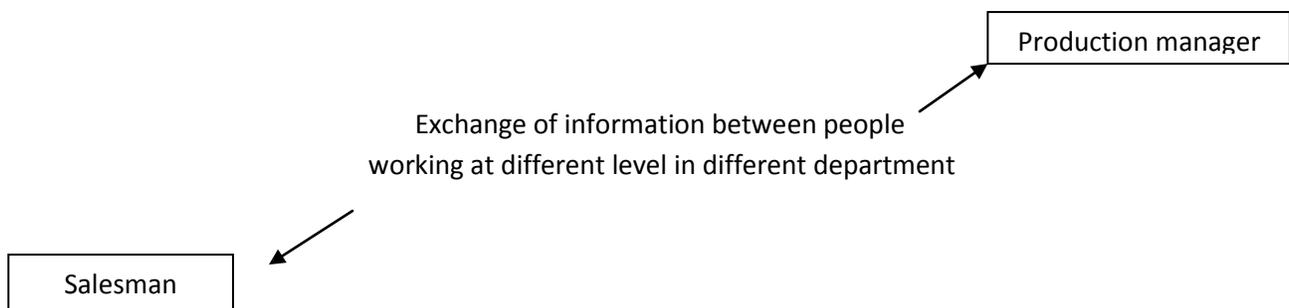
(iii) **Horizontal communication:**

It is the communication between two or more persons working at the same level of authority.



(iv) **Diagonal communication:**

It is flow of information between the persons working in different departments and holding different levels of authority.



(1 ½x4=6)

OR

**FUNCTIONS OF SUPERVISOR:**

- (i) Ensures issuing orders
  - (ii) Facilitates control
  - (iii) Optimum utilization of resources
  - (iv) Discipline
  - (v) Feedback
  - (vi) Improves communication
  - (vii) Maintains group unity
  - (viii) Improves motivation
- (Or any other point with explanation)

(1x6=6)

28. **Factors affecting requirement of fixed capital:**

(i) **Nature of business:**

The type of business company is involved is the first factor which helps in the requirement of fixed capital. A manufacturing company needs more fixed capital as compared to a trading company, as trading company does not need plant, machinery etc.

- (ii) **Scale of operation:**  
The companies which are operating at large scale require more fixed capital as they need more machinery and more assets where as small scale enterprises need less amount of fixed capital.
- (iii) **Techniques of production:**  
Companies using capital intensive techniques require more fixed capital where as companies using labour intensive techniques make use of plant and machinery, and company needs more fixed capital to buy plant and machinery.
- (iv) **Technology up gradation:**  
Industries in which technology up gradation is fast need more amount of fixed capital as when new technology is invented old machines becomes obsolete and they need to buy new plant and machinery whereas when technological up gradation is slow they require less fixed capital as they can manage with old machines.

(Or any other correct point, ½ mark for each point+1mark for each explanation)

(½x4+1x4=6)

OR

**FINANCING DECISION**

Financing decision involves identification of available sources- shareholders fund and borrowed funds and to decide the proportion of funds to be raised on the basis of their basic characteristics.

**Factors affecting financial decision:**

- (i) Cost of raising funds through different sources
- (ii) Risk associated with different sources
- (iii) Cash flow position of the business
- (iv) Level of fixed operating costs eg.salaries, buildings, rent etc.
- (v) Control consideration of the company
- (vi) Health of capital market
- (vii) Floatation cost

(Any five points with brief explanation, ½ mark for each point+½ mark for explanation=1)

(1+1x5=6)

29. **DIFFERENCES BETWEEN CAPITAL MARKET AND MONEY MARKET**

BASIS	CAPITAL MARKET	MONEYMARKET
Participation	The participants in capital market are financial institutions, banks, public and private companies, foreign investment	The participants in money market are financial institutions, banks, public and private companies but foreign and

	and ordinary retail investment from public	ordinary retail investors do not participate in money market.
Instruments traded	The common instruments of capital market are equity shares, debentures, preference shares, bonds and other innovative securities	The common instruments of money market are treasury bills, trade bills, CD, CPs etc.
Duration of securities traded	The capital market deals in medium and long term securities	Money market deals with short term securities having maximum tenure of 1 year
Expected return	The expected return is higher in capital market. Along with regular dividend or interest there are chances of capital gain.	The expected return of money market is less due to short duration.

(1 ½ x4=6)

OR

Securities and Exchange Board of India (SEBI) was set up in 1988 to regulate the functions of the securities markets with a view to promoting their orderly and healthy development, to provide adequate protection to investors and to thus create an environment to facilitate mobilization of adequate resources through the securities market.

Regulatory functions of SEBI are:

- (i) SEBI has framed rules and regulations and a code of conduct to regulate the intermediaries such as merchant bankers, brokers, underwriters etc
- (ii) The intermediaries have been brought under the regulatory purview and private placement has been made more restrictive.
- (iii) SEBI registers and regulates the working of stock brokers, sub brokers, share transfer agents, trustees, merchant bankers and all those who are associated with stock exchange in any manner
- (iv) SEBI registers and regulates the working of mutual fund etc
- (v) SEBI regulates takeover of the companies
- (vi) SEBI conducts inquiries and audit of stock exchanges

(Any four)

(2+4=6)

30. The name of the technique of sales promotion used is premium /gifts:

- (i) **Premium /gifts:** These are most popular and commonly used promotion tool. It refers to giving a free gift on purchase of the product. Generally the free gift is related to product but it is not necessary. For example, mug free with Bournvita, shaker free with coffee, tooth brush free with tooth paste etc
- (ii) **Rebate:** It refers to selling product at a special price which is less than the original price for a limited period of time. This offer is given to clear off the stock or excessive inventory. For example, coke announced 2 ltr bottles at ₹ 35 only.
- (iii) **Discounts:** This refers to reduction of certain percentage of price from list price for a limited period of time. The discounts induce the customers to buy and to buy more.

Generally at the end of season big companies offer their products at discounted price to clear off the stock. E.g.: season's sale at Snow White, Janeson's, Paul Garments, Bhuvan Garments etc

- (iv) **Refunds:** This refers to refund of part of price paid by customer on presenting the proof of purchase, for example, ₹ 2 off on presentation of empty pack of Ruffle Lays

(1 ½ x4=6)

OR

The element of marketing mix is price. Price mix refers to the activities relating to the price to be charged for the product. Consumers are very sensitive to price changes. A minor change in price may affect the demand for the product and profitability of the producer. Price is the only element that produces revenue and therefore it is most important tool of marketing management.

#### Factors Help in Determining the Price of A Commodity

- (i) **Pricing objectives:** according to different objectives like to capture a large market share, increase in profits, increase in sales, introducing a new product, price should be set
- (ii) **Demand for the product:** it plays a very important role in determining the price of the product. If there is less demand for the product, it would not be sold at a very high price. Demand should be predicted correctly before setting the price
- (iii) **Cost of production and other overhead:** a simple formula to fix the price is total cost in addition to desired profits. No firm likes to sell its products below the marginal cost of the product.
- (iv) **Extend of competition in the market:** if there is lesser degree of competition, price will tend to higher and vice versa
- (v) **Government and legal regulations:** if a particular commodity is declared as essential commodity and its price are regulated, then the firm cannot change the price on a higher side.

(or any other correct points with explanation)

(1 mark for name and meaning+1x5 for factors=6)

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