

Business Studies Class 12

Solution 2018

S. No		Marks									
1	Functional structure is an organisational structure formed by grouping of jobs of similar nature according to functions and organising these major functions as separate departments like production, finance etc.	1									
2	Planning reduces the risk of uncertainty by anticipating changes and developing managerial responses to the changes.	1									
3	Departmentalisation	1									
4	The entry of Haryana based 'Merio Ltd.' will increase the working capital requirements of VXL Ltd as it may necessitate higher stocks of finished goods to meet urgent orders from customers. Factor affecting working capital requirements is: Level of competition	1									
5	'Vani Oil Refinery' can raise the required finance for meeting its additional working capital requirements through Commercial Paper.	1									
6	Marketing mix is the combination of variables chosen by a firm to prepare its market offering.	1									
7	The company should adopt Direct Level Channel/ Zero Level Channel/ Short channel of distribution. Reason: The company has enough funds for starting own retail outlets or engaging a large number of sales forces.	1									
8	Functions of labelling discussed above are: (i) Describes the product and specifies its contents. (ii) Helps in grading of products.	1									
9	Distinction between 'delegation' and 'decentralisation': <table border="1"> <thead> <tr> <th>Basis</th><th>Delegation</th><th>Decentralisation</th></tr> </thead> <tbody> <tr> <td>(i) Freedom of action</td><td>Delegation involves more control by superiors leading to less freedom to take own decisions by subordinates.</td><td>Decentralisation involves less control over executives leading to greater freedom of action to subordinates.</td></tr> <tr> <td>(ii) Status</td><td>It is a process followed to share tasks.</td><td>It is the result of the policy decision of the</td></tr> </tbody> </table>	Basis	Delegation	Decentralisation	(i) Freedom of action	Delegation involves more control by superiors leading to less freedom to take own decisions by subordinates.	Decentralisation involves less control over executives leading to greater freedom of action to subordinates.	(ii) Status	It is a process followed to share tasks.	It is the result of the policy decision of the	3
Basis	Delegation	Decentralisation									
(i) Freedom of action	Delegation involves more control by superiors leading to less freedom to take own decisions by subordinates.	Decentralisation involves less control over executives leading to greater freedom of action to subordinates.									
(ii) Status	It is a process followed to share tasks.	It is the result of the policy decision of the									

	<table> <tr> <td></td><td></td><td>top management.</td></tr> <tr> <td>(iii) Purpose</td><td>The purpose of delegation is to lessen the burden of the manager.</td><td>The purpose of decentralization is to increase the role of the subordinates in the organisation by giving them more autonomy.</td></tr> </table>			top management.	(iii) Purpose	The purpose of delegation is to lessen the burden of the manager.	The purpose of decentralization is to increase the role of the subordinates in the organisation by giving them more autonomy.	
		top management.						
(iii) Purpose	The purpose of delegation is to lessen the burden of the manager.	The purpose of decentralization is to increase the role of the subordinates in the organisation by giving them more autonomy.						
10	<p>Financial incentives other than 'Pay and Allowances' to motivate employees:</p> <p>(a) Profit Sharing involves providing a share in the profits of the organization to employees.</p> <p>(b) Co-partnership/Stock option is an incentive under which the employees are offered company shares at a set price which is lower than market price.</p> <p>(c) Retirement Benefits include benefits such as provident fund, pension and gratuity that provide financial security to employees after their retirement.</p>	3						
11	<p>Two specific barriers to communication in Lakhan's email were:</p> <p>(i) Faulty translations (ii) Technical jargon</p> <p>Measures to overcome communication barriers:</p> <p>(i) Lakhan should communicate according to the needs, education and understanding levels of subordinates.</p> <p>(ii) He should take proper feedback to improve the communication process and make it more responsive.</p>	3						
12	<p>The source of finance that should be used for modernization of existing plants is Equity.</p> <p>Two factors highlighted above which should be kept in mind for taking this decision are:</p> <p>(a) Stock market conditions/ State of capital market. (b) Fixed operating costs/ Risk considerations.</p>	3						
13	<p>Importance of Consumer protection from the point of view of consumers:</p> <p>(i) Consumer ignorance. (ii) Unorganized consumers. (iii) Widespread exploitation of consumers.</p>	3						
14	<p>(a) The two types of plans in the question are:</p> <p>(i) Objective He sets a sales target of Rs. 20,00,000 in the current year with a 10% increase every year.'</p>	4						

	<p>(ii) Policy He then set the criteria for selecting suppliers from whom he would make purchases of raw material.'</p> <p>(b) Meaning of the plans identified.</p> <p>(i) Objective: An objective is the end which the management seeks to achieve within a given time period, expressed in quantitative terms.</p> <p>(ii) Policy: A policy is a general guideline which brings uniformity in decision making for achievement of predetermined objectives.</p>	
15	<p>(a) Formal organisation</p> <p>(b) Advantage of formal organisation:</p> <p>(i) It helps to maintain unity of command through an established chain of command.</p> <p>(c) Values communicated by A.V.M Ltd. to the society:</p> <p>(i) Development of backward areas/ Balanced regional development.</p> <p>(ii) Optimum utilization of resources.</p>	4
16	<p>Steps to be followed in the process of controlling function of management after 'Setting Standards':</p> <p>(i) Measuring actual performance</p> <p>(ii) Comparing actual performance with standards</p> <p>(iii) Analysing deviations</p> <ul style="list-style-type: none"> • Critical Point Control • Management by Exception <p>(iv) Taking corrective action</p>	4
17	<p>(a) Apprenticeship Training</p> <p>(b) Benefits which David could get on being trained:</p> <p>(i) It may lead to his promotion and career growth due to improved skills and knowledge.</p> <p>(ii) It will help him to earn more due to improved performance.</p> <p>(iii) It will reduce accidents as he will be more efficient to handle machines.</p>	4
18	<p>Functions of Financial Market:</p> <p>(i). Mobilization of savings and channelising them into the most productive uses:</p> <ul style="list-style-type: none"> • Facilitates transfer of savings from the savers to the investors. • Financial markets help people to invest their savings in various financial instruments and earn income and capital appreciation. • Facilitate mobilization of savings of people and their channelisation into the most productive uses. 	4

	<p>(ii). Facilitate Price Discovery:</p> <ul style="list-style-type: none"> • Price of anything depends upon the demand and supply factors. • Demand and supply of financial assets and securities in financial markets help in deciding the prices of various financial securities; where business firms represent the demand and the households represent the supply. <p>(iii). Provide liquidity to financial assets:</p> <ul style="list-style-type: none"> • Financial markets provide liquidity to financial instruments by providing a ready market for the sale and purchase of financial assets. • Whenever the investors want, they can invest their savings into long term investments and whenever they want, they can sell the investments/instruments and convert them into cash. <p>(iv). Reduce the cost of transactions:</p> <ul style="list-style-type: none"> • By providing valuable information to buyers and sellers of financial assets, it helps to save time, effort and money that would have been spent by them to find each other. • Also investors can buy/sell securities through brokers who charge a nominal commission for their services. This way financial markets facilitate transactions at a very low cost. 	
19	<p>(a) Advertising</p> <p>(b) Role of advertising in marketing</p> <p>(i) It helps to create demand by informing the prospective customers about the product.</p> <p>(ii) It generates employment by creating various kinds of jobs for artists, script writers etc.</p> <p>(iii) It improves standard of living by giving information regarding new products and increasing income levels of people.</p>	4
20	<p>Characteristics of coordination:</p> <p>(i) It integrates group efforts by unifying diverse interests into purposeful work activity.</p> <p>(ii) It ensures unity of action by acting as a binding force between departments and ensuring that all action is aimed at achieving the goals of the organisation.</p> <p>(iii) It is a continuous process as it starts at the planning stage and continues till controlling.</p> <p>(iv) It is a pervasive function as it is required in all types of organisations, in all the departments and at all levels.</p> <p>(v) It is the responsibility of all managers at the top, middle and lower level.</p>	5
21	<p>The two principles of management followed by managers of Dewan Ltd are:</p> <p>Equity</p> <ul style="list-style-type: none"> • Equity states that there should be no discrimination against anyone on account of sex, religion, language, caste, belief, nationality etc. • It emphasises kindness and justice in the behaviour of managers 	5

	<p>towards the workers to ensure loyalty and devotion.</p> <p>Esprit de Corps</p> <ul style="list-style-type: none"> • Management should promote team spirit of unity and harmony among employees. • This will give rise to a spirit of mutual trust and belongingness among team members and will minimise the need for using penalties. 	
22	<p>(a) Rights of Consumers discussed above:</p> <p>(i) Right to be Informed states that a consumer has a right to have complete information about the product he intends to buy such as ingredients, date of manufacture, price, quantity etc.</p> <p>(ii) Right to be Heard states that a consumer has the right to file a complaint and to be heard in case of dissatisfaction with a product or a service.</p> <p>(b) Values communicated by 'Dantik Ltd.' to the society:</p> <p>(i) Optimum utilization of resources. (ii) Social responsibility</p>	5
23	<p>(i) Technological Environment Lines from the case study - 'With rapid advancements in the field of replacing manual work with machines, a robot named 'Sujan' has been invented and developed'.</p> <p>Technological Environment includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.</p> <p>(ii) Social Environment Lines from the case study - 'However, this issue has to be carefully looked into keeping in mind the consumer attitude towards product innovations, the problem of unemployment and its impact on the quality of life'.</p> <p>Social Environment includes social forces like customs and traditions, values, social trends and society's expectation from business.</p> <p>(iii) Legal environment Lines from the case study - 'Through the orders and decisions of various commissions and agencies at Centre, State or local level the Indian Government is playing a very significant role in balancing the use of human and machine power.'</p> <p>Legal environment includes various legislations passed by the Government administrative orders issued by government authorities, court judgments as well as the decisions rendered by various commissions and agencies at every level of the government— Centre, state or local.</p>	6

24	<p>Reasons on the basis of which 'Party' would have taken the decision not to make appointment with the help of an outside source are:</p> <p>(a) Internal sources are a more reliable way of recruitment since the candidates are already known to the organisation whereas external sources.</p> <p>(b) If internal sources are used, there is no need for induction training as the employees are already familiar with the organisation.</p> <p>(c) Internal sources help to improve the motivation, loyalty and satisfaction level of existing employees.</p> <p>(d) Promotion at a higher level may lead to a chain of promotions at lower levels in the organisation.</p>	6
25	<p>New Issue Market is a market in which new securities are issued for the first time to the investors.</p> <p>The various methods of floatation of new securities in this market are:</p> <p>(i) Offer through Prospectus: The most commonly used method for raising funds in the primary market is offered through prospectus. It involves inviting the subscriptions from the public by issue of prospectus. A prospectus is published as advertisements in newspapers, magazines, etc. It provides such information as the purpose for which the fund is being raised, company's background and future prospects, its past financial performance, etc. Such information helps the public and the investors to know about the company as well as the potential risk and the earnings involved. Such issues need to be listed on one of the stock exchanges and should be in accordance with the guidelines and rules listed under the Companies Act and SEBI disclosure.</p> <p>(ii) Offer through Sale: As against offer through prospectus, under the offer through sale method, the company does not issue securities directly to the public rather they are issued through intermediaries such as brokers, issuing houses, etc. That is, under offer through sale, securities are issued in two steps, first the company sells its securities to the intermediaries at the face value and later the intermediaries resell the securities to the investing public at a higher price than the face value to earn profit.</p> <p>(iii) Private Placement: Under this method, the securities are sold only to some selected individuals and big institutional investors rather than to the public. The companies either allot the securities themselves or they sell the securities to intermediaries who in turn sell them to selected clients. This method saves the company from various mandatory or non-mandatory expenses such as cost of manager fees, commission, underwriter fees, etc. Thus, the companies which cannot afford the huge expenses related to public issues often go for private placement.</p> <p>(iv) Rights Issue: Under the Companies Act 1956, it is the right of the existing shareholders of a company to subscribe to the new shares issued by it. The</p>	6

	<p>existing shareholders are offered subscriptions of new shares of the company in proportion to the number of shares possessed by them.</p> <p>(v) e-IPOs: It is a system of issuing securities through an online system. If a company decides to offer its securities through an online system it is required to get into an agreement with the stock exchange. This is called Initial Public Offer (IPO). Company appoints brokers for accepting applications and placing orders. A company can apply to get listed in any stock market except from the one through which it has already offered securities. Herein, the lead manager looks upon the various activities and coordinates them.</p>	
--	---	--

