

Business Studies Class 12

Solution 2020

	Section A	
1	B. Social objective	1
2	B. Rates of saving and investment	1
3	(C) they can be modified by the manager when the situation so demands. Reason: A method is the prescribed way or manner in which a task has to be performed Considering the objective.	1
4	The statement is false.	1
5	(C) Allocation of jobs to members of each department.	1
6	Responsibility	1
7	Divisional Structure	1
8	(D) Establishes standards for controlling.	1
9	(B) (i) and (iii)	1
10	(B) Aptitude	1
11	The objective of financial management is to maximise shareholders wealth by maximization of the current market price of equity shares of the company.	1
12	More	1
13	(A) Long-term investment decision	1
14	(A) Grading	1
115	Cost	1
16	The statement is false. Reason: Sales Promotion refers to short term incentives which are designed to encourage the buyers to make immediate purchase of a product.	1
17	(C) A person who avails of a service for a commercial purpose.	1
18	(B) Right to be Heard	1
19	(A) Describing the product and specifies its contents.	1
20	(A) Management is a continuous process.	1

	SECTION B	
21	<p>Subordination of individual interest to general interest:</p> <ul style="list-style-type: none"> • This principle states that the interests of an organization should take priority over the interests of any one individual employee. • This is so because larger interests of the workers and stakeholders are more important than the interest of any one person. 	3
22	<p><u>Significance of 'organising' function of Management:</u></p> <p>(a) Benefits of specialization</p> <ul style="list-style-type: none"> • Organising leads to a systematic allocation of jobs amongst the workforce. • Repetitive performance of a particular task allows a worker to gain experience in that area and leads to specialisation. <p>(b) Clarity in working relationships</p> <ul style="list-style-type: none"> • The establishment of working relationships clarifies lines of communication and specifies who is to report to whom. • This removes ambiguity in transfer of information and instructions. <p>(c) Development of personnel</p> <ul style="list-style-type: none"> • Effective delegation allows the managers to reduce their workload and explore areas for growth. • It also develops in the subordinate the ability to deal effectively with challenges and helps them to realise their full potential. <p style="text-align: center;">OR</p> <p>(a) Objectives</p> <ul style="list-style-type: none"> • Objectives are the ends which the management seeks to achieve by its operations. • Objectives need to be expressed in specific terms i.e., they should be measurable in quantitative terms. • They are in the form of a written statement of desired results to be achieved within a given time period. <p>(b) Strategy</p> <ul style="list-style-type: none"> • A strategy is a comprehensive plan for accomplishing an organization's objectives, taking the business environment into consideration. • A strategy provides the broad contours of an organisation's business. • It will also refer to future decisions defining the organisation's direction and scope in the long run. 	3

23	<p>Steps in the process of staffing:</p> <p>(a) Performance Appraisal</p> <ul style="list-style-type: none"> Performance appraisal means evaluating an employee's current and/or past performance as against certain predetermined standards. It also includes providing feedback to the employee on his/her performance. <p>(b) Promotion and Career Planning</p> <ul style="list-style-type: none"> Promotions are an integral part of people's career. They refer to being placed in positions of increased responsibility. Managers need to design activities to serve employees' long-term interests. <p>(c) Compensation</p> <ul style="list-style-type: none"> Compensation refers to all forms of pay or rewards given to employees. They may be in the form of direct financial payments and indirect payments. 	3
24	<p>(a) The money market instrument used by 'The Oberoi Bank Ltd.' to raise funds is Certificate of Deposit.</p> <ul style="list-style-type: none"> It is an unsecured, negotiable, short-term instrument in bearer form, issued by commercial banks and development financial institutions. It can be issued to individuals, corporations and companies during periods of tight liquidity. <p>(b) The money market instrument used by the banks to maintain Cash Reserve Ratio is Call Money by which banks borrow from each other for a period of one day to fifteen days.</p>	3
25	<p>Tools used by the company to inform and persuade customers about their product are:</p> <p>(i) Sales Promotion: It refers to short-term incentives, which are designed to encourage the buyers to make immediate purchase of a product or service.</p> <p>(ii) Personal Selling: It involves oral presentation of a message in the form of conversation with one or more prospective customers for the purpose of making sales.</p> <p>(iii) Public Relations: It involves a variety of programmes designed to promote or protect a company's image and its individual products in the eyes of the public.</p>	3

	<u>SECTION C</u>	
26	<p>The impact of the above Government policy on Business and Industry in the above case are:</p> <p>(i) Necessity for change: After 1991, the market forces have become turbulent. As a result, business enterprises have to continuously modify their operations.</p> <p>(ii) Increasing competition: As a result of changes in the rules of industrial licensing and entry of foreign firms, competition for Indian firms has increased especially in service industries like telecommunications, airlines, banking, insurance, etc. which were earlier in the public sector.</p> <p>(iii) Need for developing human resource: Indian enterprises have suffered for long with inadequately trained personnel. The new market conditions require people with higher competence and greater commitment. Hence the need for developing human resources.</p> <p>(iv) Rapidly changing technological Environment: Increased competition forces the firms to develop new ways to survive and grow in the market. New technologies make it possible to improve machines, process, products and services. The rapidly changing technological environment creates tough challenges before smaller firms.</p>	4
27	<p>(a) The type of communication barrier is Psychological Barrier /Lack of attention.</p> <p>(b) Other Psychological Barriers</p> <p>(i) Premature evaluation: Premature evaluation is the tendency of prematurely evaluating communications, rather than to keep an uncompromised position during the interchange. Such evaluation stops the transfer of information and begets in the sender a sense of futility.</p> <p>(ii) Loss by transmission and poor retention: When communication passes through various levels in the organization, successive transmissions of the same message are decreasingly accurate. It is said that in case of oral communications about 30 per cent of the information is lost in each transmission.</p> <p>(iii) Distrust: It arises out of ill-considered judgements or illogical decisions or frequent countermanding of the original communication by the communicator. Repeated experience of this kind gradually conditions the receiver to delay action or act unenthusiastically, hence making the communication unsuccessful, though apparently it is complete.</p>	4
28	<p>Methods of floatation:</p> <p>(i) Offer through Prospectus: It is the method of floating new issues by inviting subscriptions from the public through issue of prospectus.</p> <p>(ii) 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.</p>	4

	<p>(iii) Private Placement: It refers to the allotment of securities by a company to institutional investors and some selected individuals.</p> <p>(v) e-IPOs: It refers to issuing securities through the online system of stock exchange.</p> <p style="text-align: center;">OR</p> <p>Factors affecting 'Dividend decision'</p> <p>(i) Amount of Earnings: Dividends are paid out of current and past earnings. Therefore, earnings is a major determinant of the decision about dividend.</p> <p>(ii) Stability of earnings: Other things remaining the same, a company having stable earnings is in a better position to declare higher dividend. A company having unstable earnings is likely to pay smaller dividends.</p> <p>(iii) Stability of dividends: Companies generally follow a policy of stabilizing dividend per share. The increase in dividends is generally made when there is confidence that their earning potential has gone up and not just the earnings of the current year.</p> <p>(iv) Growth Opportunities: Companies having good growth opportunities retain more money out of their earnings so as to finance the required investment. The dividend in growth companies is, therefore, smaller than that in the non-growth companies.</p>	
	SECTION D	
29	<p>Characteristics of coordination:</p> <p>(i) Integrates group efforts: Coordination integrates group efforts by integrating the activities performed by the individual towards a common direction.</p> <p>(ii) Continuous process: Coordination is a continuous function as it is never ending because manager works continuously to achieve coordination and maintain coordination because without it the organization cannot function efficiently.</p> <p>(iii) Pervasive function: Coordination is a universal function because it is required at all the levels of management, in all the departments and to perform all functions due to interdependence of various activities on each other.</p>	5

- (iv) Responsibility of all managers: Coordination is the responsibility of all managers and not just the top-level management in an organisation.
- (v) Deliberate function: Coordination is a deliberate function as every manager tries to coordinate the activities of the organization to avoid confusion and chaos in the organization.

OR

Any body of knowledge that qualifies to become a profession must fulfill the following features:

- (i) Well defined body of knowledge
- (ii) Restricted entry
- (iii) Professional association
- (iv) Ethical code of conduct
- (v) Service

On the basis of above features, it can be said that all the features of profession are not fully present in management:

(i) Well defined body of knowledge: The subject of management is taught at different institutions to provide management education. So, this feature of the profession is present in management.

(ii) Restricted entry: There is no restriction on anyone being appointed as a manager in any business enterprise. So, presently this feature of the profession is not present in management.

(iii) Professional association: There are several associations of practising managers in India, like the AIMA, that have laid down a code of conduct to regulate the activities of their members, but there is, however, no compulsion for managers to be members of such associations.
So, presently this feature of profession is not fully present in management

(iii) Ethical code of conduct: AIMA has devised a code of conduct for Indian managers but there is no statutory backing for this code. So, presently this feature of the profession is not fully present in management.

(iv) Service motive: The basic purpose of management to help the organisation achieve its goals by providing good quality products at reasonable prices, thereby, serving the society, is being increasingly recognised. So, presently this feature of the profession is not fully present in management.

It can be concluded that management is not a full-fledged profession.

30	<p>Benefits of Training to the organisation.</p> <p>(i) Training is systematic learning. It is always better than hit and trial methods that lead to wastage of efforts and money.</p> <p>(ii) Training equips the future manager who can take over in case of emergency.</p> <p>(iii) Training increases employee morale and reduces absenteeism and employee turnover.</p> <p>(iv) It enhances employee productivity both in terms of quantity and quality, leading to higher profits.</p> <p>(v) It helps in obtaining an effective response to a fast-changing environment – technological and economic.</p> <p style="text-align: center;">OR</p> <p>Duties performed by the Human Resource Personnel (Any five):</p> <p>(i) Recruitment: It means searching for qualified people and stimulating them to apply for jobs in the organisation.</p> <p>(ii) Job Description: It includes analysing jobs and collecting information about them to prepare job descriptions.</p> <p>(iii) Compensation: It involves developing compensation and incentive plans given to employees to reward performance.</p> <p>(iv) Training and Development: It involves designing programmes aimed at improving performance of employees and their career growth.</p> <p>(v) Labour Relations: It is the duty of Human Resource Personnel to maintain labour relations and union management relations.</p> <p>(vi) Grievances: Human Resource Personnel also handle grievances and complaints of employees related to the organisation.</p> <p>(vii) Welfare of employees: Human Resource Personnel also look into welfare of employees and provide for social security.</p>	5

	(viii) Legal matters: They are also involved in defending the company in lawsuits and avoiding legal complications.	
31	<p>(a) Yes, it is justified to raise funds by issuing debentures.</p> <p>Reason: (Any one)</p> <p>(i) During a bearish phase in the capital market, a company may find raising of equity capital more difficult and it may opt for debt.</p> <p>(ii) It will help to lower the overall cost of capital.</p> <p>(iii) It will help to reduce the tax liability.</p> <p>(b) The issue of debentures will increase the financial risk faced by the company as the payment of interest and the return of principle is obligatory for the business. Any default in meeting these commitments may force the business to go into liquidation.</p> <p>(c) Impact of 'cost of debt' on the capital structure of the company: More debt can be used in the capital structure if debt can be raised at a lower rate.</p> <p>(d) Impact of 'cost of equity' on the capital structure of the company: When a company increases debt, the financial risk faced by the equity shareholders increases. Consequently, their desired rate of return may increase due to which cost of capital will increase.</p> <p style="text-align: center;">OR</p> <p>Factors that 'Inderprastha Technologies Ltd.' will keep in mind before deciding its working capital requirements: (Any two)</p> <p>(i) Seasonal Factor: Peak season requires higher working capital than lean season due to higher level of activity.</p> <p>(ii) Level of competition: Higher competition requires larger stocks to meet urgent orders, thus, higher working capital is required.</p> <p>(iii) Credit Allowed: A liberal credit policy results in a higher-level amount of debtors, increasing the requirements of working capital.</p> <p>(iv) Production cycle: Shorter the production cycle, lower is the amount of</p>	5

	<p>working capital.</p> <p>Other factors affecting working capital requirements of a company: (Any three)</p> <p>(i) Nature of Business: A manufacturing business requires more working capital than a trading business since raw material is converted into finished goods.</p> <p>(ii) Business Cycle: In case of boom, larger working capital is required as production and sales are more in comparison to depression phase.</p> <p>(iii) Operating efficiency: Operating efficiency reduces the levels of inventories and debtors, thereby, reducing working capital requirements.</p> <p>(iv) Availability of raw materials: Easy and continuous availability of raw materials enables the firms to keep lesser stock and work with smaller working capital.</p> <p>(v) Growth prospects: Higher growth prospects will require larger amounts of working capital to meet higher production and sales targets.</p> <p>(vi) Inflation: With rising prices, larger amounts are required to maintain a constant volume of production and sales, thus, increasing the need for working capital.</p>	
	SECTION E	
32	<p>(a) Types of organisations:</p> <p>(i) Formal Organisation</p> <p>(ii) Informal Organisation</p> <p>(b) Advantages of Formal Organisation (any two):</p> <p>(i) It is easier to fix responsibility since mutual relationships are clearly defined.</p> <p>(ii) Unity of command is maintained through an established chain of command.</p> <p>(iii) It leads to effective accomplishment of goals by providing a framework for the operations to be performed and ensuring that each employee knows the role he has to play.</p> <p>(iv) It provides stability to the organization as behaviour of employees can be fairly predicted since there are specific rules to guide them.</p> <p>(c) Advantages of Informal Organisation (any two):</p> <p>(i) Prescribed lines of communication are not followed leading to faster spread of information as well as quick feedback.</p> <p>(ii) It helps to fulfill the social needs of the members and enhances their job</p>	6

	<p>satisfaction.</p> <p>(iii) It contributes towards fulfillment of organisational objectives by compensating for inadequacies in the formal organisation.</p> <p style="text-align: center;">OR</p> <p>(a) Decentralisation: It means delegation of authority throughout all the levels of the organization and is consequently placed nearest to the points of action.</p> <p><u>(b) Importance of Decentralisation:</u></p> <p>(i) Develops initiative among subordinates: Decentralisation helps to promote self-reliance and confidence amongst the subordinates. This is because when lower managerial levels are given freedom to take their own decisions, they learn to depend on their own judgement. It helps to promote initiative and creativity among them.</p> <p>(ii) Develops managerial talent for the future: As a result of decentralisation, employees get more opportunities to develop new skills. It makes them better future managers.</p> <p>(iii) Quick decision making: Decentralisation in an organisation, provides more freedom to lower-level managers to take their own decisions. There is no need to get approval from a higher level. It helps in quick and better decision-making.</p> <p>(iv) Facilitates growth: Decentralisation facilitates organisational growth through expansion and diversification. Top executives are not burdened by the administrative problems and complexities. So, they are able to plan expansion and diversification.</p>	
33	<p>Meaning of Controlling: Controlling means ensuring that activities in an organisation are performed as per the plans.</p> <p>Steps in Controlling Process</p> <p>(i) Setting performance standards: The first step in the controlling process is setting up of performance standards. Standards are the criteria against which actual performance would be measured. Standards can be set in both quantitative as well as qualitative terms.</p> <p>(ii) Measurement of actual performance: Once performance standards are set, the next step is measurement of actual performance. Performance should be measured in an objective and reliable manner. Some of the techniques used for measuring the performance are personal observation, sample checking performance reports etc.</p> <p>(iii) Comparison of actual performance with standards: This step involves comparison of actual performance with the standards. Such comparison will</p>	6

reveal the deviation between actual and desired results. Comparison becomes easier when standards are set in quantitative terms. For instance, performance of a worker in terms of units produced in a week can be easily measured against the standard output for the week.

(iv) Analysing deviations: Some deviations in performance can be expected in all activities. It is therefore important to determine the acceptable range of deviations. Also, deviations in key areas of business need to be attended more urgently as compared to deviations in certain insignificant areas. Critical point control and management by exception should be used by a manager in this regard.

(v) Taking corrective action: The final step in the controlling process is taking corrective action. No corrective action is required when the deviations are within acceptable limits.

However, when the deviations go beyond the acceptable range, especially in the important areas, it demands immediate managerial attention so that deviations do not occur again and standards are accomplished. In case the deviations cannot be corrected through managerial action, the standards may have to be revised.

OR

Meaning of Directing: Directing refers to the process of instructing, guiding, counselling, motivating and leading people in the organisation to achieve its objectives.

Importance of directing

(i) Initiates action: It helps to initiate action by the people in the organization towards attainment of desired objectives. The employees start working only when they get instructions and directions from their superiors. It is the directing function which starts actual work to convert plans into results.

(ii) Integrates employees efforts: All the activities of the organization are interrelated so it is necessary to coordinate all the activities. It integrates the activities of subordinates by supervision, guidance and counselling.

(iii) Guides employees to fully realise their potential: It motivates the subordinates to work efficiently and to contribute their maximum efforts towards the achievement of organizational goals.

(iv) Facilitates introduction of needed changes: Employees often resist changes due to fear of adverse effects on their employment and promotion. Directing facilitates adjustment in the organization to cope with changes in the environment.

	(v) Brings stability and balance in the organization: Managers while performing directing function instruct, guide, supervise and inspire their subordinates in a manner that they are able to strike a balance between individual and organizational interests.	
34	<p>Functions performed by NGOs to impart knowledge and educate consumers:(Any six)</p> <p>(i) Educating the general public about consumer rights by organising training programmes, seminars and workshops.</p> <p>(ii) Publishing periodicals and other publications to impart knowledge about consumer problems, legal reporting, reliefs available and other matters of interest.</p> <p>(iii) Carrying out comparative testing of consumer products in accredited laboratories to test relative qualities of competing brands and publishing the test results for the benefit of consumers.</p> <p>(iv) Encouraging consumers to strongly protest and take action against unscrupulous, exploitative and unfair trade practices of sellers.</p> <p>(v) Providing legal assistance to consumers by way of providing aid, legal advice etc. in seeking legal remedy.</p> <p>(vi) Filing complaints in appropriate consumer courts on behalf of the consumers.</p> <p>(vii) Taking an initiative in filing cases in consumer courts in the interest of the general public, not for any individual.</p>	6