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	MARKING SCHEME BUSINESS STUDIES (054) Term II (2021-22) Class XII	
1	<p>Two sources of internal recruitment:</p> <ol style="list-style-type: none"> 1. Promotion refers to shifting of an employee to a higher position, carrying higher responsibilities, facilities, status and pay. 2. Transfer involves shifting of an employee from one job to another, one department to another, without substantive change in the responsibilities and status of the employee. 	<p>½ mark for identification and ½ mark for explanation (1+1=2 marks)</p>
2	<p>Offer for Sale: Under this method securities are not issued directly to the public but are offered for sale through intermediaries like issuing houses or stock brokers. In this case, a company sells securities embolic at an agreed price to brokers who, in turn, resell them to the investing public.</p>	<p>½ mark for identification and 1.5 marks for explanation</p>
3	<ol style="list-style-type: none"> 1. Workload analysis: This would enable an assessment of the number and types of human resources necessary for the performance of various jobs and accomplishment of organisational objectives. 2. Workforce analysis: This would reveal the number and type available. 	<p>(1/2 mark for the heading and ½ mark for the explanation)</p> <p>1+1=2 marks</p>
4	<p>a) Controlling</p> <p>(b) Measurement of actual performance</p> <p>Once performance standards are set, the next step is measurement of actual performance. Performance should be measured in an objective and reliable manner. There are several techniques for measurement of performance. These include personal observation, sample checking, performance reports, etc.</p>	<p>1 mark</p> <p>(1/2 mark for the heading and ½ mark for the explanation)</p> <p>1 mark</p>
5	<p>Non monetary incentives: (Any two)</p> <ol style="list-style-type: none"> 1. Job enrichment: It is concerned with designing jobs that include greater variety of work content, require higher level of knowledge and skill, etc., 2. Employee recognition programmes: Recognition means acknowledgment with a show of appreciation. 3. Job security: Employees want their job to be secure. They want certain stability about income and work so that they do not feel worried about these aspects and work with greater zeal. 	<p>(½ mark for the heading and 1 mark for the explanation)</p> <p>(1.5 x 2=3)</p>

6	<p>Importance of Directing: (Any three)</p> <ol style="list-style-type: none"> 1. Directing helps to initiate action by people in the organisation towards attainment of desired objectives. 2. Directing integrates employees' efforts in the organisation in such a way that every individual effort contributes to the organisational performance. 3. Directing guides employees to fully realise their potential and capabilities by motivating and providing effective leadership. 4. Directing facilitates introduction of needed changes in the organisation. 5. Effective directing helps to bring stability and balance in the organisation since it fosters cooperation and commitment among the people and helps to achieve balance among various groups, activities and the departments. <p>OR</p> <p>Leadership indicates the ability of an individual to maintain good interpersonal relations with followers and motivate them to contribute for achieving organisational objectives. (or any other correct definition)</p> <p>Styles of leadership (Any two):</p> <p>(i) Autocratic or Authoritarian leader gives orders and expects his subordinates to obey those orders.</p> <p>(ii) Democratic or Participative leaders will develop action plans and make decisions in consultation with their subordinates.</p> <p>(iii) Laissez faire or Free-rein leader does not believe in the use of power unless it is absolutely essential.</p>	<p>1 mark for each correct statement.</p> <p>(1X3 = 3marks)</p> <p>1 mark</p> <p>1x2=2 marks</p>
7	<p>Factors affecting working capital requirement of the company (Any three) :</p> <ol style="list-style-type: none"> 1. Nature of Business influences working capital requirements in a trading organisation which usually needs a smaller amount of working capital compared to a manufacturing organisation, while service industries which usually do not have to maintain inventory require less working capital. 2. Scale of operations influences working capital requirements in large organisations which require a large amount of working capital as compared to the organisations which operate on a lower scale. 3. Business cycle affects the requirement of working capital by a firm, as in case of a boom a larger amount of working capital is required as compared to the period of depression. 4. Seasonal Factors affect the working capital requirement, as in peak season large amounts of working capital is required and lower amount is required in the lean season. 5. Production cycle affects the working capital requirement, as it is higher in firms with longer processing cycles and lower in firms with shorter processing cycles. 6. Credit allowed in a firm with liberal credit policy results in a higher amount of debtors, increasing the requirement of working capital. 7. Credit availed by a firm, to the extent to which the firm avails the credit on purchases the working capital requirement is reduced. 8. Operating efficiency may reduce the level of raw materials, finished goods and debtors resulting in lower requirement of working capital. 9. Availability of raw material influences the working capital requirement as larger the lead time, larger the quantity of material to be stored and larger shall be the amount of working capital required. 10. If the growth potential of a concern is perceived to be higher, it will require a larger amount of working capital. 11. Higher level of competitiveness may necessitate larger stocks and increases working capital requirement. 12. The working capital requirement of a business becomes higher with higher rate of 	<p>1x3=3 marks</p>

	10. Respect the environment.	
10	<p>Regulatory Functions of Securities and Exchange Board of India (Any five)</p> <ol style="list-style-type: none"> 1. Registration of brokers and sub-brokers and other players in the market. 2. Registration of collective investment schemes and Mutual Funds. 3. Regulation of stock brokers, portfolio exchanges, underwriters and merchant bankers and the business in stock exchanges and any other securities market. 4. Regulation of takeover bids by companies. 5. Calling for information by under- taking inspection, conducting enquiries and audits of stock exchanges and intermediaries. 6. Levying fee or other charges for carrying out the purposes of the Act. 7. Performing and exercising such power under Securities Contracts (Regulation) Act 1956, as may be delegated by the Government of India. 	<p>1 mark for each correct statement.</p> <p>1x5 =5 marks</p>
11	<p>(a).Selection</p> <p>Steps in the process of selection discussed:</p> <ol style="list-style-type: none"> 1. Preliminary Screening. 2. Selection Tests. 3. Employment interview <p>(b). Next two steps:</p> <ol style="list-style-type: none"> 1. Reference and background checks - Many employers request names, addresses and telephone numbers of references for the purpose of verifying information and gaining additional information on an applicant. Previous employers, known persons, teachers and university professors can act as references. 2. Selection Decision- The final decision has to be made from among the candidates who passed the tests, interviews and reference checks. The views of the concerned manager will be generally considered in the final selection. 3. Medical Examination- After the selection decision and before the job offer is made, the candidate is required to undergo a medical fitness test. The job offer is given to the candidate being declared fit after the medical examination. 	<p>½ marks X4=2</p> <p>(½ mark for the heading and ½ mark for the explanation) 1X3=3 marks</p>

12

Dividend decision: The decision involved here is how much of the profit earned by the company (after paying tax) is to be distributed to the shareholders and how much of it should be retained in the business.

Factors affecting Dividend decision: (Any two)

1. Amount of Earnings: Dividends are paid out of current and past earnings. Therefore, earnings are a major determinant of the decision about dividend.

2. 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.

3. Cash Flow Position: The payment of dividend involves an outflow of cash. A company may be earning profit but may be short on cash. Availability of enough cash in the company is necessary for declaration of dividend.

4. Access to Capital Market: Large and reputed companies generally have easy access to the capital market and, therefore, may depend less on retained earnings to finance their growth. These companies tend to pay higher dividends than the smaller companies which have relatively low access to the market.

OR

Rate of Return of Investment is $4,00,000/10,00,000 \times 100 = 40\%$

EBIT after expansion = $40\% \times 15,00,000 = 6,00,000$

Calculation of EPS

	Plan 1	Plan 2
EBIT	6,00,000	6,00,000
(-)Interest	-	50,000
EBT	6,00,000	5,50,000
(-)Tax(50%)	3,00,000	2,75,000
EAT.	3,00,000	2,75,000
No. Of shares.	15000.	10000
EPS.	20	27.5

The company should use Plan 2 in order to increase the return to the equity shareholders.

1 mark

(1/2 mark for the heading and 1.5 marks for the explanation)
2X2=4 marks

4 marks

1 mark

(1+4 = 5marks)