

PREBOARD EXAMINATION 2023-24
BUSINESS STUDIES (054)
CLASS XII
MARKING SCHEME-SET A

Time Allowed: 3 Hours

Max Marks- 80

S.No.	Answers	Marks
1.	B. High fixed cost charges	1
2.	C. Customer value	1
3.	D. Composition of family	1
4.	B. Marketing planning	1
5.	B. Right to be assured	1
6.	B. Aptitude	1
7.	A. Capital structure	1
8.	A. Middle Level	1
9.	A. Utility and demand of the product	1
10.	B. Statement II is true and I is false	1
11.	B. Identification and division of work, Departmentalization, Assignment of duties, Establishing reporting relationships	1
12.	A. Establishment of objectives	1
13.	D. Assertion is false, Reason is true.	1
14.	D. Complexity	1
15.	C. Organising	1
16.	B. Assertion and reason both are true but reason is not the correct explanation of assertion.	1
17.	C. It helps in tapping useful resources	1
18.	B. (iv), (iii), (i), (ii)	1
19.	C. Goal oriented	1
20.	A. Flexible	1
21.	a) Management helps in achieving group goals - 1 mark b) Two other points of significance of management are: <ul style="list-style-type: none"> • Management increases efficiency- The aim of a manager is to reduce costs and increase productivity through better planning, organising, directing, staffing and 	3

	<p>controlling the activities of the organisation.</p> <ul style="list-style-type: none"> ● Management creates a dynamic organisation- All organisations have to function in an environment which is constantly changing. It is generally seen that individuals in an organisation resist change as it often means moving from a familiar, secure environment into a newer and more challenging one. Management helps people adapt to these changes so that the organisation is able to maintain its competitive edge. ● Management helps to achieve personal objectives- A manager motivates and leads his team in such a manner that individual members are able to achieve personal goals while contributing to the overall organisational objective. Through motivation and leadership the management helps individuals to develop team spirit, cooperation and commitment to group success. ● Management helps in the development of society- An organisation has multiple objectives to serve the purpose of the different groups that constitute it. In the process of fulfilling all these, management helps in the development of the organisation and through that it helps in the development of society. It helps to provide good quality products and services, creates employment opportunities, adopts new techno-logy for the greater good of the people and leads the path towards growth and development. <p style="text-align: center;">(Any two points- 1 mark each)</p>	
22.	<p>Planning and controlling are inseparable twins of management. A system of control presupposes the existence of certain standards. These standards of performance which serve as the basis of controlling are provided by planning. Once a plan becomes operational, controlling is necessary to monitor the progress, measure it, discover deviations and initiate corrective measures to ensure that events conform to plans. Thus, planning without controlling is meaningless. Similarly, controlling is blind without planning. If the standards are not set in advance, managers have nothing to control. When there is no plan, there is no basis of controlling.</p>	3
23.	<ol style="list-style-type: none"> a) Workload analysis b) External recruitment c) Performance appraisal 	3
24.	<p>Regulatory Functions of Securities and Exchange Board of India (Any 3)</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 style="text-align: center;">OR</p> <p>The difference between Capital and money market are</p> <ol style="list-style-type: none"> 1. Participants: The participants in the capital market are financial institutions, banks, corporate entities, foreign investors and ordinary retail investors from members of the public. Participation in the money market is by and large undertaken by institutional participants such as the RBI, banks, financial institutions and finance companies. Individual investors, although permitted to transact in the secondary money market, do not normally do so. 2. Instruments: The main instruments traded in the capital market are- equity 	3

	<p>shares, debentures, bonds, preference shares etc. The main instruments traded in the money market are short term debt instruments such as T-bills, tradebills reports, commercial paper and certificates of deposit.</p> <p>3. Duration: The capital market deals in medium and long term securities such as equity shares and debentures. Money market instruments have a maximum tenure of one year, and may even be issued for a single day.</p>	
25.	<p>Autocratic or Authoritarian leader: An autocratic leader gives orders and expects his subordinates to obey those orders.</p> <ul style="list-style-type: none"> • If a manager is following this style, then communication is only one-way with the subordinate only acting according to the command given by the manager. • This leader is dogmatic, i.e., does not change or wish to be contradicted. His following is based on the assumption that reward or punishment both can be given depending upon the result. • This leadership style is effective in getting productivity in many situations like in a factory where the supervisor is responsible for production on time and has to ensure labour productivity. Quick decision-making is also facilitated. • But there are variations also, they may listen to everyone’s opinion, consider subordinates ideas and concerns but the decision will be their own. <p style="text-align: center;">OR</p> <p>Job Enrichment: Job enrichment is concerned with designing jobs that include greater variety of work content, require higher level of knowledge and skill; give workers more autonomy and responsibility; and provide the opportunity for personal growth and a meaningful work experience. If jobs are enriched and made interesting, the job itself becomes a source of motivation to the individual</p> <p>Co-partnership/ Stock option: Under these incentive schemes, employees are offered company shares at a set price which is lower than market price. Sometimes, management may allot shares in line of various incentives payable in cash. The allotment of shares creates a feeling of ownership to the employees and makes them to contribute for the growth of the organisation. In Infosys the scheme of stock option has been implemented as a part of managerial compensation.</p> <p style="text-align: center;">(2 marks for each incentive)</p>	4
26.	<p>The steps involved in selection procedure after conducting employment interview are:</p> <ol style="list-style-type: none"> 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 Selection Decision: The final decision has to be made from among the candidates who pass the tests, interviews and reference checks. The views of the concerned manager will be generally considered in the final selection because it is he/she who is responsible for the performance of the new employee. 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. Job Offer: The next step in the selection process is job offer to those applicants who have passed all the previous hurdles. Job offer is made through a letter of appointment/confirm his acceptance. Such a letter generally contains a date by which the appointee must report on duty. The appointee must be given reasonable time for reporting. <p style="text-align: center;">(1 mark for each step)</p> <p style="text-align: center;">OR</p> <p>Staffing ensures the following benefits to the organisation:</p> <p>(i) helps in discovering and obtaining competent personnel for various jobs;</p>	4

	<p>(ii) makes for higher performance, by putting right person on the right job; (iii) ensures the continuous survival and growth of the enterprise through the succession planning for managers; (iv) helps to ensure optimum utilisation of the human resources. By avoiding overmanning, it prevents under-utilisation of personnel and high labour costs. At the same time it avoids disruption of work by indicating in advance the shortages of personnel; (v) improves job satisfaction and morale of employees through objective assessment and fair reward for their contribution.</p> <p style="text-align: center;">(any four benefits- 1 mark each)</p>	
27.	<p>Responsibilities of a Consumer under the Consumer Protection Act, 2019 (Any 4):</p> <ul style="list-style-type: none"> ● Be aware of various goods and services available in the market so that an intelligent and wise choice can be made. ● Buy only standardized goods as they provide quality assurance. ● Learn about the risks associated with products and services, follow manufacturer's instructions and use the products safely. ● Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc. ● Assert yourself to ensure that you get a fair deal. ● Be honest in your dealings. Choose only from legal goods and services and discourage unscrupulous practices. ● Ask for a cash memo on purchase of goods or services. ● File a complaint in an appropriate consumer forum in case of a shortcoming in the quality of goods purchased or services availed. ● Form consumer societies which would play an active part in educating consumers and safeguarding their interests. ● Respect the environment. 	4
28.	<p>Factors affecting fixed capital requirements (any 4)</p> <ol style="list-style-type: none"> 1. Nature of Business: The type of business has a bearing upon the fixed capital requirements. For example, a trading concern needs lower investment in fixed assets compared with a manufacturing organisation; since it does not require to purchase plant and machinery, etc. 2. Scale of Operations: A larger organisation operating at a higher scale needs a bigger plant, more space etc. and therefore, requires higher investment in fixed assets when compared with the small organisation. 3. Choice of Technique: Some organisations are capital intensive whereas others are labour intensive. A capital-intensive organisation requires higher investment in plant and machinery as it relies less on manual labour. The requirement of fixed capital for such organisations would be higher. Labour intensive organisations on the other hand require less investment in fixed assets. Hence, their fixed capital requirement is lower. 4. Technology Upgradation: In certain industries, assets become obsolete sooner. Consequently, their replacements become due faster. Higher investment in fixed assets may, therefore, be required in such cases. For example, computers become obsolete faster and are replaced much sooner than, say, furniture. Thus, such organisations which use assets which are prone to obsolescence require higher fixed capital to purchase such assets. 5. Growth Prospects: Higher growth of an organisation generally requires higher investment in fixed assets. Even when such growth is expected, a company may choose to create higher capacity in order to meet the anticipated higher demand quicker. This entails larger investment in fixed assets and consequently larger fixed capital. 	4

	<p>6. Diversification: A firm may choose to diversify its operations for various reasons, With diversification, fixed capital requirements increase e.g., a textile company is diversifying and starting a cement manufacturing plant. Obviously, its investment in fixed capital will increase.</p> <p>7. Financing Alternatives: A developed financial market may provide leasing facilities as an alternative to outright purchase. When an asset is taken on lease, the firm pays lease rentals and uses it. By doing so, it avoids huge sums required to purchase it. Availability of leasing facilities, thus, may reduce the funds required to be invested in fixed assets, thereby reducing the fixed capital requirements. Such a strategy is specially suitable in high risk lines of business.</p> <p>8. Level of Collaboration: At times, certain business organisations share each other’s facilities. For example, a bank may use another’s ATM or some of them may jointly establish a particular facility. This is feasible if the scale of operations of each one of them is not sufficient to make full use of the facility. Such collaboration reduces the level of investment in fixed assets for each one of the participating organisations.</p>	
29.	<p>a) The communication barrier identified above is the Organisational facilities- 1 mark</p> <p>b) The category of this communication barrier is the Organisational barriers- 1/2 mark The factors related to organisation structure, authority relationships, rules and regulations may, sometimes, act as barriers to effective communication- 1/2mark</p> <p>c) Other communication barrier of the same category:</p> <ul style="list-style-type: none"> ● Organisational policy: If the organisational policy, explicit or implicit, is not supportive to free flow of communication, it may hamper effectiveness of communications. For example, in an organisation with highly centralised pattern, people may not be encouraged to have free communication. ● Rules and regulations: Rigid rules and cumbersome procedures may be a hurdle to communication. Similarly, communications through prescribed channel may result in delays. ● Status: Status of superior may create psychological distance between him and his subordinates. A status conscious manager also may not allow his subordinates to express their feelings freely. ● Complexity in organisation structure: In an organisation where there are number of managerial levels, communication gets delayed and distorted as number of filtering points are more <p style="text-align: center;">(Any one of the above barrier- 2 marks)</p>	4
30.	<p>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.- 1 mark</p> <p>Factors affecting Dividend decision: (Any three)</p> <ol style="list-style-type: none"> 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. 	4

	<ol style="list-style-type: none"> 5. Stability Earnings: Other things remaining the same, a company having stable earnings is in a better position to declare higher dividends. As against this, a company having unstable earnings is likely to pay a smaller dividend. 6. Stability of Dividends: Companies generally follow a policy of stabilising 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. In other words, dividend per share is not altered if the change in earnings is small or seen to be temporary in nature. 7. Shareholders' Preference: While declaring dividends, management must keep in mind the preferences of the shareholders in this regard. If the shareholders in general desire that at least a certain amount is paid as dividend, the companies are likely to declare the same. There are always some shareholders who depend upon a regular income from their investments. 8. Taxation Policy: The choice between the payment of dividend and retaining the earnings is, to some extent, affected by the difference in the tax treatment of dividends and capital gains. If tax on dividend is higher, it is better to pay less by way of dividends. As compared to this, higher dividends may be declared if tax rates are relatively lower. Though the dividends are free of tax in the hands of shareholders, a dividend distribution tax is levied on companies. Thus, under the present tax policy, shareholders are likely to prefer higher dividends. 9. Stock Market Reaction: Investors, in general, view an increase in dividend as a good news and stock prices react positively to it. Similarly, a decrease in dividend may have a negative impact on the share prices in the stock market. Thus, the possible impact of dividend policy on the equity share price is one of the important factors considered by the management while taking a decision about it. 10. 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. 11. Legal Constraints: Certain provisions of the Companies Act place restrictions on payouts as dividend. Such provisions must be adhered to while declaring the 12. Dividend Contractual Constraints: While granting loans to a company, sometimes the lender may impose certain restrictions on the payment of dividends in future. The companies are required to ensure that the dividend does not violate the terms of the loan agreement in this regard. 	
31.	<p>a) Science not Rule of Thumb: Taylor pioneered the introduction of the method of scientific inquiry into the domain of management practice.. As different managers would follow their indigenous rules of thumb, it is obvious that all would not be equally effective.</p> <p>Taylor believed that there was only one best method to maximise efficiency. This method can be developed through study and analysis. The method so developed should substitute 'Rule of Thumb' throughout the organisation. Scientific method involved investigation of traditional methods through work-study, unifying the best practices and developing a standard method, which would be followed throughout the organisation.</p> <p>According to Taylor, even a small production activity like loading pigs of iron into boxcars can be scientifically planned and managed. This can result in tremendous saving of human energy as well as wastage of time and materials. The more sophisticated the processes, greater would be the savings.</p> <p>In the present context, the use of Internet has brought about dramatic improvements in internal efficiencies and customer satisfaction- 3 marks</p>	6

	<p>b) Subordination of Individual Interest to General Interest: The interests of an organisation should take priority over the interests of any one individual employee according to Fayol. Every worker has some individual interest for working in a company. The company has got its own objectives. For example, the company would want to get maximum output from its employees at a competitive cost (salary). On the other hand, an employee may want to get maximum salary while working the least. In another situation an individual employee may demand some concession, which is not admissible to any other employee like working for less time. In all the situations the interests of the group/company will supersede the interest of any one individual. This is so because larger interests of the workers and stakeholders are more important than the interest of any one person. For example, interests of various stakeholders, i.e., owners, shareholders, creditors, debtors, financiers, tax authorities, customers and the society at large cannot be sacrificed for one individual or a small group of individuals who want to exert pressure on the company. A manager can ensure this by her/his exemplary behaviour. For example, she/he should not fall into temptation of misusing her/his powers for individual/ family benefit at the cost of larger general interest of the workers/ company. This will raise her/his stature in the eyes of the workers and at the same time ensure same behaviour by them- 3 marks</p> <p style="text-align: center;">OR</p> <p>a) The objectives of Standardisation are:</p> <ul style="list-style-type: none"> ● To reduce a given line or product to fixed types, sizes and characteristics. ● To establish interchange ability of manufactured parts and products. ● To establish standards of excellence and quality in materials. ● To establish standards of performance of men and machines. <p style="text-align: center;">(Any three objectives- 1 mark each)</p> <p>b) Fatigue Study: A person is bound to feel tired physically and mentally if she/he does not rest while working. The rest intervals will help one to regain stamina and work again with the same capacity. This will result in increased productivity. Fatigue study seeks to determine the amount and frequency of rest intervals in completing a task. For example, normally in a plant, work takes place in three shifts of eight hours each. Even in a single shift a worker has to be given some rest interval to take her/his lunch etc. If the work involves heavy manual labour then small pauses have to be frequently given to the worker so that she/he can recharge her/his energy level for optimum contribution. There can be many causes for fatigue like long working hours, doing unsuitable work, having uncordial relations with the boss or bad working conditions etc. Such hindrances in good performance should be removed. (3 marks)</p>	
32.	<p>Steps in the process of planning to be followed by a manager before performing the step of evaluation of alternatives:</p> <ol style="list-style-type: none"> 1. Setting Objectives: The first and foremost step is setting objectives. Every organization must have certain objectives. Objectives may be set for the entire organization and each department or unit within the organization. Objectives or goals specify what the organization wants to achieve. It could mean an increase in sales by 20% which could be the objective of the entire organization. How all departments would contribute to the organizational goals is the plan that is to be drawn up. Objectives should be stated clearly for all departments, units and employees. They give direction to all departments. Departments/ units then need to set their own objectives within the broad framework of the organization's 	6

philosophy. Objectives have to percolate down to each unit and employees at all levels. At the same time, managers must contribute ideas and participate in the objective setting process. They must also understand how their actions contribute to achieving objectives. If the end result is clear it becomes easier to work towards the goal.

2. **Developing Premises:** Planning is concerned with the future which is uncertain and every planner is using conjecture about what might happen in future. Therefore, the manager is required to make certain assumptions about the future. These assumptions are called premises. Assumptions are the base material upon which plans are to be drawn. The base material may be in the form of forecasts, existing plans or any past information about policies. The premises or assumptions must be the same for all and there should be total agreement on them. All managers involved in planning should be familiar with and use the same assumptions. For example, forecasting is important in developing premises as it is a technique of gathering information. Forecasts can be made about the demand for a particular product, policy change, interest rates, prices of capital goods, tax rates etc. Accurate forecasts therefore become essential for successful plans.
3. **Identifying alternative courses of action:** Once objectives are set, assumptions are made. Then the next step would be to act upon them. There may be many ways to act and achieve objectives. All the alternative courses of action should be identified. The course of action which may be taken could be either routine or innovative. An innovative course may be adopted by involving more people and sharing their ideas. If the project is important, then more alternatives should be generated and thoroughly discussed amongst the members of the organization.

OR

Strategy

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. Thus, we can say a strategy is a comprehensive plan for accomplishing an organisation's objectives. This comprehensive plan will include three dimensions, (i) determining long term objectives, (ii) adopting a particular course of action, and (iii) allocating resources necessary to achieve the objective. Whenever a strategy is formulated, the business environment needs to be taken into consideration. The changes in the economic, political, social, legal and technological environment will affect an organisation's strategy. Strategies usually take the course of forming the organisation's identity in the business environment. Major strategic decisions will include decisions like whether the organisation will continue to be in the same line of business, or combine new lines of activity with the existing business or seek to acquire a dominant position in the same market.

Policy

Policies are general statements that guide thinking or channelise energies towards a particular direction. Policies provide a basis for interpreting strategy which is usually stated in general terms. They are guides to managerial action and decisions in the implementation of strategy. For example, the company may have a recruitment policy, pricing policy within which objectives are set and decisions are made. If there is an established policy, it becomes easier to resolve problems or issues. As such, a policy is the general response to a particular problem or situation. There are policies for all levels and departments in the organisation ranging from major company policies to minor policies. Major company policies are for all to know i.e., customers, clients, competitors etc., whereas minor policies are applicable to insiders and contain minute details of information vital to the employees of an organisation. But there has to be some basis for divulging information to others. Policies define the broad parameters within which a manager may function. The manager may use his/her discretion to interpret and apply a

3+3=6

	policy.	
33.	<p>The marketing mix consists of various variables, which have broadly been classified into four categories, popularly known as four Ps of marketing. These are: (i) Product, (ii) Price, (iii) Place, and (iv) Promotion, and are discussed as follows:</p> <ol style="list-style-type: none"> 1. Product: Product means goods or services or ‘anything of value’, which is offered to the market for exchange. The concept of product relates to not only the physical product as mentioned in the above examples but also the benefits offered by it from the customer's view point (for example toothpaste is bought for whitening teeth, strengthening gums, etc.). The concept of product also includes the extended product or what is offered to the customers by way of after sales services, handling complaints, availability of spare parts etc. These aspects are very important, particularly in the marketing of consumer durable products (like Automobiles, Refrigerators, etc.). The important product decisions include deciding about the features, quality, packaging, labeling and branding of the products. 2. Price: Price is the amount of money customers have to pay to obtain the product. In the case of most of the products, the level of price affects the level of their demand. The marketers have not only to decide about the objectives of price setting but to analyse the factors determining the price and fix a price for the firm's products. 3. Place: Place or Physical Distribution include activities that make a firm's products available to the target customers. Important decision areas in this respect include selection of dealers or intermediaries to reach the customers, providing support to the intermediaries (by way of discounts, promotional campaigns, etc.). 4. Promotion: Promotion of products and services include activities that communicate availability, features, merits, etc. of the products to the target customers and persuade them to buy it. Most marketing organisations undertake various promotional activities and spend a substantial amount of money on the promotion of their goods through using a number of tools such as advertising, personal selling and sales promotion techniques (like price discounts, free samples, etc.). 	6
34.	<p>(A) Formal Organisation Formal organisation refers to the organisation structure which is designed by the management to accomplish a particular task.</p> <p>(B) Advantages of Formal Organisation (any two):</p> <ol style="list-style-type: none"> 1. It is easier to fix responsibility since mutual relationships are clearly defined. 2. It avoids duplication of effort since there is no ambiguity in the role that each member has to play. 3. It maintains unity of command through an established chain of command. 4. It leads to accomplishment of goals by providing a framework for the operations to be performed. 5. It provides stability to the organisation because there are specific rules to guide behaviour of employees. <p>Limitations of formal organisation (any two):</p> <ul style="list-style-type: none"> ● It may lead to procedural delays as the established chain of command has to be followed which increases the time taken for decision making. ● It does not allow any deviations from rigidly laid down policies and may not provide adequate recognition to creative talent. ● It is difficult to understand all human relationships in an enterprise, hence it does not provide a complete picture of how an organisation works. 	6 (2+2+2)