

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

Max Marks- 80

Time Allowed: 3 Hours

S.No.	Answers	Marks
1.	B. Marketing planning	1
2.	B. Right to be assured	1
3.	A. Capital structure	1
4.	A. Utility and demand of the product	1
5.	B. Identification and division of work, Departmentalization, Assignment of duties, Establishing reporting relationships	1
6.	A. Establishment of objectives	1
7.	B. High fixed cost charges	1
8.	D. Complexity	1
9.	C. Customer value	1
10.	C. It helps in tapping useful resources	1
11.	C. Organising	1
12.	A. Flexible	1
13.	B. Assertion and reason both are true but reason is not the correct explanation of assertion	1
14.	C. Goal oriented	1
15.	B. a(iv), b(iii), c(i), d(ii)	1
16.	A. Composition of family	1
17.	B. Aptitude	1
18.	D. Assertion is false, Reason is true.	1
19.	B. Statement II is true and I is false	1
20.	A. Middle Level	1
21.	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	3

	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	
22.	<p>a) Management helps in achieving group goals - 1 mark</p> <p>b) Two other points of significance of management are:</p> <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 controlling the activities of the organisation. ● 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 technology for the greater good of the people and leads the path towards growth and development. <p>(Any two points- 1 mark each)</p>	3
23.	<p>The functions of Human Resource Department are:</p> <ul style="list-style-type: none"> ● Recruitment, i.e., search for qualified people ● Analysing jobs, collecting information about jobs to prepare job descriptions. ● Developing compensation and incentive plans. ● Training and development of employees for efficient performance and career growth. ● Maintaining labour relations and union management relations. ● Handling grievances and complaints. n Providing for social security and welfare of employees. ● Defending the company in law suits and avoiding legal complications. <p>(Any three functions- 1 mark each)</p>	3
24.	<p>Protective Functions (Any three)</p> <ol style="list-style-type: none"> 1. Prohibition of fraudulent and unfair trade practices like making misleading statements, manipulations, price rigging etc. 2. Controlling insider trading and imposing penalties for such practices. 3. Undertaking steps for investor protection. 4. Promotion of fair practices and code of conduct in the securities market. <p style="text-align: center;">OR</p> <p>Investment Outlay: Investment in the capital market i.e. securities does not necessarily require a huge financial outlay. The value of units of securities is generally low i.e. Rs 10, Rs 100 and so is the case with a minimum trading lot of shares which is kept small i.e. 5, 50, 100 or so. This helps individuals with small savings to subscribe to these</p>	3

	<p>securities. In the money market, transactions entail huge sums of money as the instruments are quite expensive.</p> <p>Liquidity: Capital market securities are considered liquid investments because they are marketable on the stock exchanges. However, a share may not be actively traded, i.e. it may not easily find a buyer.</p> <p>Money market instruments on the other hand, enjoy a higher degree of liquidity as there is formal arrangement for this. The Discount Finance House of India (DFHI) has been established for the specific objective of providing a ready market for money market instruments.</p> <p>Safety: Capital market instruments are riskier both with respect to returns and principal repayment. Issuing companies may fail to perform as per projections and promoters may defraud investors. But the money market is generally much safer with a minimum risk of default. This is due to the shorter duration of investing and also to financial soundness of the issuers, which primarily are the government, banks and highly rated companies.</p>	
25.	<p>Democratic or Participative leader:</p> <ul style="list-style-type: none"> ● A democratic leader will develop action plans and makes decisions in consultation with his subordinates. ● He will encourage them to participate in decision-making. ● Two way communication is prevalent in this type of leadership style ● This kind of leadership style is more common now-a-days, since leaders also recognise that people perform best if they have set their own objectives. They also need to respect the other's opinion and support subordinates to perform their duties and accomplish organisational objectives. They exercise more control by using forces within the group. <p style="text-align: center;">OR</p> <p>a) Perquisites: In many companies perquisites and fringe benefits are offered such as car allowance, housing, medical aid, and education to the children, etc., over and above the salary. These measures help to provide motivation to the employees/ managers</p> <p>b) Employee Empowerment: Empowerment means giving more autonomy and powers to subordinates. Empowerment makes people feel that their jobs are important. This feeling contributes positively to the use of skills and talents in the job performance.</p> <p style="text-align: center;">(2 marks for each incentive)</p>	4
26.	<p>The next four steps which Sunil has to follow after advertisement of vacancies are:</p> <p>i) Selection: Selection is the process of choosing from among the pool of the prospective job candidates developed at the stage of recruitment. The rigour involves a host of tests and interviews, described later. Those who are able to successfully negotiate the test and the interviews are offered an employment contract, a written document containing the offer of employment, the terms and conditions and the date of joining.</p> <p>ii) Placement and Orientation: Orientation is introducing the selected employee to other employees and familiarising him with the rules and policies of the organisation. Placement refers to the employee occupying the position or post for which the person has been selected.</p> <p>iii) Training and Development: What people seek is not simply a job but a career. Organisations have either inhouse training centers or have forged alliances with training and educational institutes to ensure continuing learning of their</p>	4

	<p>employees. The organisations too benefit in turn. If employee motivation is high, their competencies are strengthened, they perform better and thus, contribute more to organisational effectiveness and efficiency. By offering the opportunities for career advancement to their members, organisations are not only able to attract but also retain its talented people</p> <p>iv) Performance Appraisal : Performance appraisal means evaluating an employee’s current and/or past performance as against certain predetermined standards. The employee is expected to know what the standards are and the superior is to provide the employee feedback on his/her performance. The performance appraisal process, therefore, will include defining the job, appraising performance and providing feedback.</p> <p style="text-align: center;">OR</p> <p>a) The source under which the employees are vertically shifted to higher positions are:</p> <p>Promotions: Business enterprises generally follow the practice of filling higher jobs by promoting employees from lower jobs. Promotion leads to shifting an employee to a higher position, carrying higher responsibilities, facilities, status and pay. Promotion is a vertical shifting of employees. This practice helps to improve the motivation, loyalty and satisfaction level of employees. It has a great psychological impact over the employees because a promotion at the higher level may lead to a chain of promotions at lower levels in the organisation (½ mk for identification & 1 ½ mk for explanation)</p> <p>b) The source under which employees are moved horizontally are:</p> <p>Transfers: It involves shifting of an employee from one job to another, one department to another or from one shift to another, without a substantive change in the responsibilities and status of the employee. It may lead to changes in duties and responsibilities, working condition etc., but not necessarily salary. Transfer is a good source of filling the vacancies with employees from over-staffed departments. It is practically a horizontal movement of employees. Shortage of suitable personnel in one branch may be filled through transfer from other branch or department. Job transfers are also helpful in avoiding termination and in removing individual problems and grievances. At the time of transfer, it should be ensured that the employee to be transferred to another job is capable of performing it. Transfers can also be used for training of employees for learning different jobs. ½ mk for identification & 1 ½ mk for explanation)</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. 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. 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. 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 	4
29.	<ol style="list-style-type: none"> a) The communication barrier identified above is the Organisational facilities- 1 mark 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- 1/2 mark c) Other communication barrier of the same category: <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 	4

	<p>pattern, people may not be encouraged to have free communication.</p> <ul style="list-style-type: none"> ● 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>(Any one of the above barrier- 2 marks)</p>	
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. 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.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. 6. 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. 7. 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. 8. 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 	4

	<p>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.</p> <p>9. 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.</p> <p>10. Legal Constraints: Certain provisions of the Companies Act place restrictions on payouts as dividend. Such provisions must be adhered to while declaring the dividends.</p> <p>11. 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</p>	
31.	<p>a) Harmony, Not Discord:</p> <ul style="list-style-type: none"> • Factory system of production implied that managers served as a link between the owners and the workers. Since as managers they had the mandate to 'get work done' from the workers, there always existed the possibility of a kind of class-conflict, the managers versus workers. • Taylor recognised that this conflict helped none, the workers, the managers or the factory owners. He emphasised that there should be complete harmony between the management and workers. Both should realise that each one is important. To achieve this state, Taylor called for complete mental revolution on the part of both management and workers. It means that management and workers should transform their thinking. In such a situation even trade unions will not think of going on strike etc. • Management should share the gains of the company, if any, with the workers. At the same time workers should work hard and be willing to embrace change for the good of the company. Both should be part of the family. • According to Taylor, 'Scientific management has for its foundation the firm conviction that the true interests of the two are one and the same; that prosperity for the employer cannot exist for a long time unless it is accompanied by prosperity for the employees and vice versa'. - 4 marks <p>b) General guidelines: The principles are guidelines to action but do not provide readymade, straitjacket solutions to all managerial problems. This is so because real business situations are very complex and dynamic and are a result of many factors. However, the importance of principles cannot be underestimated because even a small guideline helps to solve a given problem. For example, in dealing with a situation of conflict between two departments, a manager may emphasise the primacy of the overall goals of the organisation- 2 marks</p> <p style="text-align: center;">OR</p> <p>a) Optimum utilisation of resources and effective administration: Resources both human and material available with the company are limited. They have to be put to optimum use. By optimum use we mean that the resources should be put to use in such a manner that they should give maximum benefit with minimum cost. Principles equip the managers to foresee the cause and effect relationships of their decisions and actions. As such the wastages associated with a trial-and-error approach can be overcome. Effective administration necessitates impersonalisation of managerial conduct so that managerial power is used with due discretion. Principles of</p>	6

	<p>management limit the boundary of managerial discretion so that their decisions may be free from personal prejudices and biases. For example, in deciding the annual budgets for different departments, rather than personal preferences, managerial discretion is bounded by the principle of contribution to organisational objectives- 3 marks</p> <p>b) Scientific decisions: Decisions must be based on facts, thoughtful and justifiable in terms of the intended purposes. They must be timely, realistic and subject to measurement and evaluation. Management principles help in thoughtful decision-making. They emphasise logic rather than blind faith. Management decisions taken on the basis of principles are free from bias and prejudice. They are based on the objective assessment of the situation- (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"> 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 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. 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. 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. <p style="text-align: center;">OR</p> <p>Strategy Strategy provides the broad contours of an organisation's business. It will also</p>	6

	<p>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.</p> <p>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.</p> <p>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 policy.</p>	
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> <p>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.</p> <p>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.</p> <p>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</p>	6

	<p>to the intermediaries (by way of discounts, promotional campaigns, etc.).</p> <p>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.).</p>	
34.	<p>(A) Formal Organisation- ½ mark Formal organisation refers to the organisation structure which is designed by the management to accomplish a particular task. - 1 ½ mark</p> <p>(B) Advantages of Formal Organisation (any two):</p> <ul style="list-style-type: none"> • It is easier to fix responsibility since mutual relationships are clearly defined. • It avoids duplication of effort since there is no ambiguity in the role that each member has to play. • It maintains unity of command through an established chain of command. • It leads to accomplishment of goals by providing a framework for the operations to be performed. • 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