### SYLLABUS

**BUSINESS STUDIES**

**CLASS XII**

<table>
<thead>
<tr>
<th>One Paper</th>
<th>3 Hours</th>
<th>90 Marks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unitwise Weightage</strong></td>
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<table>
<thead>
<tr>
<th>Units</th>
<th>Periods</th>
<th>Marks</th>
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<tr>
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<tr>
<td>1. Introduction to Management</td>
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<td>2. Principles of Management</td>
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<tr>
<td>3. Business Environment</td>
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<td>4. Planning</td>
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<tr>
<td><strong>Part B: Business Finance and Marketing</strong></td>
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<tr>
<td>10. Financial Markets</td>
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<td>11. Marketing Management</td>
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<td>12. Consumer Protection</td>
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<td><strong>Total</strong></td>
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Note: The Question Paper will include value based question(s) to the extent of 4 marks from any of the units.

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### Part A: Principles and Functions of Management

#### Unit I: Nature and significance of Management (Periods 12)
- Management - concept, objectives and importance
- Management as Science, Art and Profession.
- Levels of management
- Management functions - planning, organising, staffing, directing and controlling.
- Coordination - concept, characteristics and importance.

#### Unit 2: Principles of Management (Periods 12)
- Principles of Management - concept, nature and significance
- Fayol’s principles of management
- Taylor’s Scientific Management - principles and techniques

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Unit 3: Management and Business Environment  (Periods 10)

- Business Environment - concept and importance
- Dimensions of Business Environment - Economic, Social, Technological, Political and Legal
- Impact of Government policy changes on business with special reference to liberalization, privatization and globalisation in India.

Unit 4: Planning  (Periods 12)

- Concept, importance and limitations
- Planning process
- Single use and Standing Plans - Objectives, Strategy, Policy, Procedure, Method, Rule, Budget and Programme.

Unit 5: Organising  (Periods 16)

- Concept and importance.
- Organizing Process.
- Structure of organization - functional and divisional.
- Formal and informal organization.
- Delegation: concept, elements and importance.
- Decentralization: concept and importance.

Unit 6: Staffing  (Periods 14)

- Concept and importance of staffing
- Staffing as a part of Human Resource Management
- Staffing process:
  - Recruitment - sources
  - Selection - process
- Training and Development - Concept and importance. Methods of training- on the job and off the job- Induction training, vestibule training, apprenticeship training and internship training.
Unit 7: Directing (Periods 16)

- Concept and importance
- Elements of Directing
  - Supervision - concept, functions of a supervisor.
  - Motivation - concept, Maslow’s hierarchy of needs; Financial and non-financial incentives.
  - Leadership - concept, styles - authoritative, democratic and laissen faire.
  - Communication - concept, formal and informal communication; barriers to effective communication, how to overcome the barriers.

Unit 8: Controlling (Periods 14)

- Concept, nature and importance
- Relationship between planning and controlling
- Steps in the process of control

Part B: Business Finance and Marketing

Unit 9: Financial Management (Periods 22)

- Concept and objectives of financial management.
- Financial decisions: investment, financing and dividend and factors affecting.
- Financial planning - concept and importance.
- Capital Structure - concept and factors affecting.
- Fixed and Working Capital - concept and factors affecting their requirements.

Unit 10: Financial Markets (Periods 20)

- Financial Markets: concept and types.
- Money market and its instruments.
- Capital market and its types (primary and secondary).
- Stock Exchange - functions and training procedure. Depository Services and D’mat Account.
- Securities and Exchange Board of India (SEBI) - objectives and functions.

Unit 11: Marketing Management (Periods 30)

- Marketing - concept and functions.
- Marketing management philosophies.
- Marketing Mix - concept
  - Product - concept, branding, labeling and packaging.
- Price - factors determining price.
- Physical distribution - concept, channels of distribution: types, choice of channels.
- Promotion - concept and elements; advertising - concept, role, objections against advertising, personal selling - concept and qualities of a good salesman, sales promotion - concept and techniques, public relations - concept and role.

### Unit 12: Consumer Protection  
#### (Periods 16)

- Concept and importance of consumer protection.
- Consumer Protection Act 1986
  - Meaning of consumer and consumer protection.
  - Rights and responsibilities of consumers
  - Who can file a complaint and against whom?
  - Redressal machinery.
  - Remedies available.
- Consumer awareness - Role of consumer organizations and NGO's

### Unit 13: Project Work  
#### (Periods 16)
### DESIGN OF QUESTION PAPER
**BUSINESS STUDIES (054)**  
**CLASS-XII  2012-13**

**Time-3 Hrs.**  
**Max. Marks - 90**

The weightage to Content/Subject units

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<th>S.No.</th>
<th>Content Unit</th>
<th>Marks</th>
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<td>2.</td>
<td>Principles of Management</td>
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B. Weightage to forms of Questions

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C. Scheme of Options

There will be no overall choice. However, there is an internal choice in every question of 6 marks.

D. Weightage to difficulty level of questions

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<td>Difficult</td>
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E. Typology of Questions

In order to assess different abilities related to the subject, the question paper is like to include questions based on higher order skills, such as open-ended question based on case-study, diagrams, cartoons given in the text book.
### SAMPLE QUESTION PAPER

**BUSINESS STUDIES**

**CLASS XII (2012-13)**

**Blue Print**

<table>
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<td>34(10)</td>
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There will be value based question(s) carrying four marks from any of the units.
SAMPLE QUESTION PAPER
BUSINESS STUDIES
Class – XII (2012-13)

Max. Marks - 90

Time - 3 Hrs.

General Instructions:

1. Answers to questions carrying 1 mark may be from one word to one sentence.
2. Answer to questions carrying 3 marks may be from 50 to 75 words.
3. Answer to questions carrying 4-5 marks may be about 150 words.
4. Answer to questions carrying 6 marks may be about 200 words.
5. Attempt all parts of a question together.

Q1. What is meant by ‘Induction Training’?

Q2. Give the meaning of ‘Democratic Style’ of Leadership.

Q3. Rajat a Sales Manager, achieved his sales target one month in advance. This achievement was displayed on the notice board and the CEO of the Company awarded a certificate for the best performance to him. Name the incentive provided to Rajat.

Q4. Which two steps in the process of control are concerned with compelling events to confirm to the plan?


Q6. State the primary objective of financial management.

Q7. List any two characteristics of secondary market.

Q8. What is meant by financial market?

Q9. Enumerate any two qualities of a good Salesman.

Q10. What is meant by ‘Promotion Mix’?
Q11. What is meant by ‘Consumer Protection’?  
(1)

Q12. When can a consumer make an appeal in the supreme court under ‘The Consumer Protection Act 1986’?  
(1)

Q13. State any three characteristics of principles of management.  
(3)

Q14. Explain the following principles of Scientific Management:-  
   a) Science not rule of thumb  
   b) Co-operation not Individualism  
(3)

Q15. State the steps involved in the planning process.  
(3)

Q16. Explain the meaning of ‘Objectives’ as a type of plan.  
(3)

Q17. State any three features of a good brand name.  
(3)

Q18. Explain the following two functions of Marketing :-  
   i) Product Designing and Development  
   ii) Marketing Planning  
(3)

Q19. The Employees of Manik Ltd., a software company, have formed a dramatic group for their recreation. Name the type of organisation so formed and state its three features.  
(4)

Q20. Distinguish between Functional and Divisional organisational structure on the following basis:  
   i. Formation  
   ii. Managerial development  
   iii. Responsibility  
   iv. Suitability  
(4)

Q21. State any four factors which help in determining the working Capital requirements of a Company.  
(4)
Q22. Kayco LTD. is manufacturing detergents. They decide to launch a new range of herbal products. As they are in a hurry, they have tested products on animals only.

The necessary information is missing on the package. The management also plans to launch a new factory in a tribal area where the required products are easily available and the labour-men, women and children are available for work at low wages in the absence of development opportunities and schools.

a) Which values do you find disturbing in the above para?

b) Will the decision to install a new unit in a tribal area help society? Highlight the social values involved in his decision.

Q23. “Success of an organization largely depends upon its management” Explain any five reasons to justify the statement.

Q24. Explain with the help of one example each how do ‘Political Environment’ and ‘Legal Environment’ affect the functioning of a business enterprise.

Q25. Despite internal sources of recruitment being economical why do companies not always use this source? State any five reasons.

Q26. You are a management expert. You have been asked by a business firm to make its managers understand the importance of controlling function of management. How will you explain this to the manager.

Q27. Communication originally drafted in English has been very poorly translated in Hindi. Name the type of barrier to effective communication and explain any other five barriers of this type.

OR

Identify the function of management which refers to the process of instructing, guiding, counselling, motivating and leading people in the organisation to achieve objectives. Explain the importance of this function of management.

Q28. You are the financial manager of a company. The Board of Directors has asked you to design the capital structure of the company. State any six factors that you would consider while doing so.

OR
Every manager has to take three major decisions while performing the finance function. State these decisions. 

Q29. Explain the steps in the ‘Trading Procedure’ of Stock Exchange

Explain any four methods of floatation of new issues in the Primary Market. (6)

Q30. Identify the method of sales-promotion in the following cases:

(i) A mobile company offers a discount of Rs. 1000 to clear off excess inventory.

(ii) A customer gets Rs.5 off on return of an empty wrapper while making a new purchase of the same product.

(iii) A Company offers a pack of ½ kg. of sugar with the purchase of a 5 kg. bag of wheat flour

(iv) A company offers 40% of extra shaving cream in a pack of 500 gms.

(v) Scratch a card and get a gold coin with the purchase of a cold drink.

(vi) Purchase goods worth Rs. 50,000 and get a holiday package worth Rs. 10,000 free.

OR

‘Various tools of communication are used by the marketers to promote their products.’ Answer the following questions:

a) Why do companies use all tools at the same time?

b) Name and explain the most commonly used non-personal tool of promotion which is paid for by the marketer.

c) Which tool of promotion will primarily be used for the following:

i) To promote or protect a company’s image or its individual products.

ii) An existing product meant for mass usage by literate people.

iii) To introduce a new product to a particular class of people through door-to-door visits. (6)
Marking Scheme

1. Induction Training refers to the process of introducing the selected employees to other employees and familiarising him with the rules and policies of the organisation. (1)

2. Democratic Style of Leadership is leadership in which, a leader consults with his subordinates on proposed actions and decisions and encourages them to participate in decision making. (1)

3. The Incentive provided to Rajat is - ‘Recognition’ (1)

4. (i) Comparison of actual performance with standards. (ii) Taking corrective action. (½ x 2 = 1)

5. Financial Management is concerned with management of flow of funds and involves decisions relating to procurement of funds, investment of funds in long term and short term assets and distribution of earnings to the owners.

   OR

   Financial Management may be defined as planning, organising, directing and controlling the financial activities of an organisation. (1)

6. Wealth Maximisation is the Primary Objective of Financial Management which means maximising the market value of investment in the shares of the company. (1)

7. Characteristics of Secondary Market (any two):
   (i) It is a Market for purchase and sale of existing securities
   (ii) Both Buying and Selling of Securities can take place here.
   (iii) It is located at specified places
   (iv) The price of securities are determined by demand and supply for the securities. (½ +½=1)

8. A financial market is a market for the creation and exchange of financial assets. (1)

9. Qualities of a good salesman are: (i). Physical Attributes; (ii). Social Attributes; (iii). Mental Attributes and (iv) Vocational Attributes. (any two)
Qualities of a good salesman: (any two)

(i). A good personality; (ii). Sound health and stamina; (iii). Presence of mind; (iv). Imagination; (v). Quick observation and judgement; (vi). Self Confidence; (vii). Initiative; (viii). Sharp memory and intelligence; (ix). Convincing conversationalist; (x). Honest and of sound character; (xi). Cooperative and helpful; (xii). Tactful; (xiii). Inborn aptitude and talent; (xiv). Ambitious; (xv). Enthusiastic; (xvi). Energetic; (xvii). Disciplined and loyal.

½ + ½ = 1

10. Promotion mix refers to combination of promotion tools used by an organisation to achieve its objectives.

11. Consumer Protection refers to the act of providing adequate protection to consumers against the unscrupulous, exploitative and unfair trade practices of manufacturers and service providers.

12. An order passed by the National Commission in a matter of its original Jurisdiction is appealable before the Supreme Court.

13. Characteristics of Principles of Management (any three) -

1. The Principles of Management have universal applicability in all types of organisations, business as well as non-business, small as well as large, public sector as well as private sector, manufacturing as well as the service sectors.

2. They are general guidelines to action but do not provide readymade straitjacket solutions to all managerial problems.

3. They are formed by practice, experience, collective wisdom of managers and experimentation.

4. They are flexible and can be modified by the manager when the situation demands.

5. They are aimed at influencing human behaviour to enable a better understanding of human and material resources in accomplishing organisational purposes.

6. They intend to establish cause and effect relationship so that they can be used in similar situations in a large number of cases.
7. The application of the principles is **contingent** or dependent upon the prevailing situation at a particular point of time.  

14. (i) **Science, not Rule of Thumb:**

Taylor believed that there was one best method of maximising efficiency. This method could be developed through study and analysis. The Method so developed should substitute the “Rule of Thumb” through the organisation. Scientific method involves investigation of traditional methods through work study, unifying the best practices and developing a standard method which would follow throughout the organisation. This can result in tremendous saving of time and materials. In the present context the use of internet has brought about dramatic improvement in internal efficiencies and consumer satisfaction.

(ii) **Cooperation, not Individualism**

There should be complete cooperation between employees and management instead of individualisation. It is an extension of Principle of harmony not Discord. Management should not close its ears to constructive suggestion by employees but should reward their suggestions which result in substantial reduction in costs. Workers should be a part of management and a part of all important decisions. Workers on the other hand should desist making unreasonable demands. When there is open communication system and goodwill there will be no need for trade unions. There should be almost equal division of work and responsibility between employees and management. Management should help, encourage and smooth the way for employees.

15. The steps involved in the process of planning are:

i. Defining organizational objectives for the entire organisation and each department or unit within the organisation.

ii. Developing planning premises or assumptions about the future, which are the base material upon which plans are to be drawn.

iii. Listing the alternative ways of reaching objectives, which may be either routine or innovative.

iv. Evaluating the pros and cons of each alternative in the light of the objective to be achieved to choose the best alternative.

v. Formulating derivative plans to support the main plan.
vi. Putting the plans into action i.e., doing what is required and their follow-up to ensure that objectives are achieved. \( \frac{1}{2} \) mark for each step= \( 6 \times \frac{1}{2} = 3 \)

16. * Objectives are the desired future position that the management would like to reach.

* They serve as the guide for overall planning and are usually set by the top management.

* They need to be expressed in specific terms. \( 3 \)

17. Feature of a good brand name: (Any three)

(i) It should be short, easy to pronounce, spell, recognise and remember.

(ii) It should suggest the product’s benefits and qualities.

(iii) It should be distinctive.

(iv) It should be adaptable to packaging or labelling requirement.

(v) It should be sufficiently versatile to accommodate new products which are added to the product line.

(vi) It should be capable of being registered and protected legally.

(vii) It should not get out of date very soon. \( 3 \)

18.

(i) **Product Designing and Development**

The decision of the product contributes to making the product attractive to the target customers. A good design can improve performance of a product and also give it a competitive advantage in the market. For example, when we plan to buy any product say a motorbike, we not only see its features like cost, mileage etc. but also the design aspects like shape, style etc.

(ii) **Marketing Planning**

One important area of work of a marketeer is to develop appropriate marketing plans so that the marketing objectives of the organisation can be achieved. For example, a marketeer of colour TV having 10% of the current market share aims at enhancing his market share to 20% in the next three years. He will have to develop a complete marketing plan covering various important aspects including the plan for increasing the
level of production, promotion of products etc. and specify the action programmes to achieve these objectives. (1½ x 2 = 3)

19. The type of organisation formed by employees of Manik Ltd. is informal organisation

**Features of Informal Organisation (any three)**

(a) An informal organisation originates from within the formal organisation as a result of personal interaction among employees.

(b) The standards of behaviour evolve from group norms rather than officially laid down rules.

(c) Independent channels of communication without specified direction of flow of information are developed by group members.

(d) It emerges spontaneously and is not deliberately created by the management

(1+1x3 = 4)

20. **Distinction between Functional and Divisional structures**

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<tbody>
<tr>
<td>1</td>
<td>Formation</td>
<td>It is based upon Functions</td>
<td>It is based upon product lines and is supported by functions</td>
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<td>2</td>
<td>Managerial Development</td>
<td>Difficult, as each functional manager has to report to manager</td>
<td>Easier Autonomy as well as the chance to perform multiple functions help in managerial development</td>
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<tr>
<td>3</td>
<td>Responsibility</td>
<td>Difficult to fix on any one department</td>
<td>Easy to fix responsibility for performance</td>
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<td>4</td>
<td>Suitability</td>
<td>Suitable for medium sized firms having a single product or small number of related products</td>
<td>Suitable for large firms having multiple product with distinct Characteristics.</td>
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(1x4 = 4)
21. Factors which help in determining the working capital requirements of a company are: (Any four)

(i) Nature of Business influences the working capital required. Eg: A trading firm requires a smaller working capital as compared to a manufacturing firm.

(ii) An organisation operating on a higher scale of operation requires a large amount of working capital as compared to the organisation which operates on a lower scale.

(iii) Different phases of business cycle affect the requirement of working capital by a firm. In case of boom, larger amount of working capital is required as compared to depression.

(iv) Seasonal factors affect the level of activity and working capital requirement of a business. In peak season, larger amount of working capital is required as compared to lean season.

(v) The duration and the length of the production cycle affects the amount of funds required for material and expenses and consequently affects the working capital requirement of a firm. Firms with longer processing cycles lead to higher working capital requirement of a business.

(vi) Credit Allowed affects the amount of debtors and consequently the working capital requirement of a firm.

(vii) To the extent the firm avails credit on purchases, the working capital requirement is reduced.

(viii) Operating Efficiency of a firm may reduce the level of raw materials, finished goods and debtors resulting in lower requirement of working capital.

(ix) Difficulty in availability of raw material and larger lead time will make the firm store larger quantity of material and larger shall be the amount of working capital required.

(or any other correct factor)

(1x4=4)

22. (A) The disturbing value in the above para are: any two

(½x2=1)

- testing on animals is banned.
- no information about the products on package is violation of Right to Information.
- Yes, the decision of installing a new unit in tribal area will definitely help in the upliftment and development of tribal society (1 mark)
- The tribal labour, men and women will get equal minimum wages to earn their livelihood.
- Child labour is banned so schools should be opened for them.
- School and other supportive activities will help in community-development.
- Equal opportunity to grow.
- Proper utilisation of natural resources. Any two (1x2=2)

23. Success of an organisation largely depends upon its management. This can be justified with the following reasons:
   i. It helps in achieving group goals.
   ii. It increases efficiency.
   iii. It creates a dynamic organisation
   iv. It helps in the development of society
   v. It helps in achieving individual goals.
   vi. It helps in optimum utilisation of resources.
   vii. It provides vision and foresight.

(or any other correct reason)

(1/2 mark for reason +1/2 mark for explanation=1 mark) (1x5=5)

24. Political Environment includes political conditions like
   - Stability
   - Peace
   - Attitude of elected government representatives that impact the business entrepreneurs.

Example of Political Environment affecting the functioning of a business enterprise is -

Even after **opening up** of the Indian Economy in **1991**, foreign companies found it extremely difficult to cut through the bureaucratic red tape to get **permits** for doing business in India, which **discouraged** them from investing in our country.

Legal Environment includes various
• Legislations
• Administrative orders
• Court judgement
• Decisions rendered by various agencies at every level of government (centre, state or local)

Every Management is required to obey the **law of the land**.

**Example of Legal Environment** affecting the functioning of a business enterprise is-

Advertisements for packets of cigarettes must carry the **Statutory Warning**, “Cigarette Smoking is Injurious to Health.”

25. The Companies do not always use internal Sources of recruitment despite of them being economical because of the following reasons: (any five)

   (i) It is an incomplete source as no organisation can fill all its vacancies from internal sources.

   (ii) The employees may become lethargic if they are sure of time bound promotions.

   (iii) Spirit of competition among the employees may be hampered.

   (iv) Frequent transfers of employees may often reduce the productivity of the organisation.

   (v) Complete reliance on internal recruitment involves danger of ‘inbreeding’ by stopping ‘infusion of new blood’ into the organisation.

   (vi) A new enterprise cannot use internal source of recruitment.

   (vii) There is limited choice of candidates when the vacancies are to be filled from internal source of recruitment. (or any other correct reason) (1x5=5)

26. As a management expert the importance of controlling will be explained to the managers as follows:

   (i) Accomplishing organizational goals.
(ii) Enables managers to judge the accuracy of standards.

(iii) Ensures efficient use of resources.

(iv) Improving employees motivation.

(v) Ensures order and discipline.

\[
\text{(1/2 mark for the heading +1/2 mark for the explanation=1mark) (1x5=5)}
\]

27. Semantic Barriers (Faulty Translations). (1mark)

Other Semantic Barriers-

(i) Badly Expressed Messages

(ii) Symbols with different Meanings.

(iii) Unclarified Assumptions

(iv) Technical Jargon

(v) Body Language & gesture decoding

\[
\text{(1/2 mark for the heading +1/2 mark for the explanation=1mark) (1+1x5=6)}
\]

OR

Directing

1. Initiates action.

2. Integrates employees efforts

3. Guides employees

4. Facilitates introduction of changes

5. Brings stability and balance

\[
\text{(1/2 mark for the heading +1/2 mark for the explanation=1mark) (1+1x5=6)}
\]

28. Factors affecting capital structure (any six) are:

(i) The size of the projected cash flows must be considered before deciding the capital structure of the firm.
(ii) Higher the Interest coverage ratio which is calculated as follows: EBIT/Interest, lower shall be the risk of the company failing to meet its interest payment obligations.

(iii) A higher Debt service coverage ratio, in which the cash profits generated by the operations are compared with the total cash required for the service of debt and the preference share capital, the better will the ability of the firm to increase debt component in the capital structure.

(iv) If return on investment of the company is higher, the company can choose to use trading on equity to increase its EPS, i.e., its ability to use debt is greater.

(v) More debt can be used if cost of Debt is low.

(vi) A higher tax rate makes debt relatively cheaper and increases its attraction as compared to equity.

(vii) If debt is used beyond a point, cost of equity may go up sharply and share price may decrease inspite of increased EPS.

(viii) The floatation cost may affect the choice between debt and equity and hence the capital structure

(ix) The total risk of business depends upon both the business risk and financial risk. If a firm’s business risk is lower, its capacity to use debt is higher and vice-versa.

(x) To maintain flexibility the company must maintain some borrowing power to take care of unforeseen circumstances

(ii) (or any other correct factor)

(iii) \(1 \times 6 = 6\)

OR

Three major decisions are:

(i) Investment Decision which relates to how the firm’s funds are invested in different assets in the long term and the short term.

(ii) Financing Decision which relates to the quantum of finance to be raised from various long term sources. It determines the overall cost of capital and financial risk of the enterprise.

(iii) Dividend Decision relates to how much of the profit earned by the company (after paying tax) is to be distributed to shareholders and how much of it should be retained in the business. \(2 \times 3 = 6\)
29. Trading Procedure of a Stock Market

Depository’ is an institution/organisation which holds securities
eg: shares, debentures, bonds, mutual funds etc in electronic form, in which trading is done.

DPS are agents – Stock brokers (R-Trading)

1. **Selection of a Broker**

**TRADING PROCEDURE ON A STOCK EXCHANGE**

The procedure for purchase and sale of securities in a stock exchange involves the following steps:

1. **Selection of broker**
   The first step is to select a broker who will buy/sell securities on behalf of the investor. This is necessary because trading of securities can only be done through SEBI registered brokers who are the members of a stock exchange. Brokers may be individual, partnership firms or corporate books. The broker charges brokerage / commission for his services.

2. **Opening demat account**
   The next step is to open a demat account. Demat (Dematerialised) account refers to an account which an Indian citizen must open with the depository participant (banks, stock, brokers) to trade in listed securities in electronic form.

   The securities are held in the electronic form by a depository. At present, there are two depositaries in India NSDL (National Securities Depository Ltd.) and CDSL (Central Depository Services Ltd.)

   Depository interacts with the investors through depository participants. Your Depository Participant will maintain your securities account balances and intimate to you the status of your holding from time to time.

3. **Placing the order**
   The next step is to place the order with the broker. The order can be communicated to the broker either personally or through telephone, cell phone, e-mail etc.
The instructions should specify the securities to be bought or sold and the price range within which the order is to be executed. Only the securities of listed companies can be traded on the stock exchange.

4. Executing the order

According to the instructions of the investor, the broker buys or sells securities.

The broker then issues a contract note. A copy of the contract note is sent to the client. The contract note contains the name and the price of the securities, names of the parties, brokerage charged. It is signed by the broker.

5. Settlement

This is the last stage in the trading of securities done by the brokers on behalf of their clients. The mode of settlement depends upon the nature of the contract.

Equity spot market follow a T+2 rolling settlement. This means that any trade taking place on Monday, gets settled by Wednesday. All trading on stock exchanges takes place between 9:55 am and 3:30 pm. Indian Standard Time, Monday to Friday. Delivery of shares must be made in dematerialized form, and each exchange has its own clearing house, which assumes all settlement risk.

OR

The methods of floating new issues in the Primary Market are: (Any 4)

1. Offer Through Prospectus

It is the Method of Floating new issues by inviting subscriptions from the public through issue of Prospectus. A prospectus makes a direct appeal to investors to raise capital, through advertisement in newspapers and magazines.

2. 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. A company sells securities en bloc at an agreed price to brokers who, in turn, resell them to the investing public.

3. Private Placement
It refers to the allotment of securities by a company to institutional investors and some selected individuals. Some companies cannot afford a public issue and choose to use private placement.

4. Rights Issue

It is the privilege given to existing shareholders to subscribe to new issue of shares in proportion to the number of shares they already hold. The shareholders are offered the ‘right’ to buy new shares in proportion to the number of shares they already possess.

5. E-IPO

It refers to Issuing Securities through the online system of Stock Exchanges. The company has to enter into an agreement with the stock exchange.

(1/2 mark for heading + 1 mark for explanation=1 ½ x4=6)

30. (i) Rebate  
(ii) Refund  
(iii) Product - combination  
(iv) Quantity - gift  
(v) Instant draws and assigned gift  
(vi) Lucky Draw  

OR

(a). The companies use all tools at the same time because of the nature of market, nature of product, promotion budget and objectives of promotion being different at different times.

(b). The most commonly used non-personal tool of promotion which is paid for by the marketer is advertising. The explanation should include:

It is a paid and non-personal form having an identified sponsor to promote an idea.

(c) The tools of promotion used are

(i) Public Relations  
(ii) Advertisements  
(iii) Personal Selling  

(1x6=6)