

Practice Questions- Marking Scheme
Session 2022-23
Class: XII
BUSINESS STUDIES

Q.No	Question	Marks
SECTION A		
Q.1	A. Departmentalisation	1
Q.2	C. economic environment	1
Q.3	C. universal applicability	1
Q.4	D. technological and social	1
Q.5	B. scientific management	1
Q.6	A. privatisation	1
Q.7	D. No. The management is right in not declaring dividend since the company does not have any profits	1
Q.8	C. ethical code of conduct	1
Q.9	D. He is hired to take care of the day-to-day functions.	1
Q.10	A. Profitability ratio	1
Q.11	C. centralised	1
Q.12	A. ABC & Co has priced its product at a 20% discount	1
Q.13	C. The management has created a separate team for each product line.	1
Q.14	B. T-bills	1
Q.15	B. securities	1
Q.16	B. rights issue	1
Q.17	A. Refund means giving back a part of the price paid by the customer.	1
Q.18	A. The salary of the CFO- increases yearly based on their performance.	1
Q.19	B. advertising, personal selling, publicity and sales promotion	1
Q.20	B. Secondary market is located at specified places.	1
SECTION B		
Q.21	Mrs. Angad has drafted the annual goals for each location's Manager before the start of the year Branch managers made committees within the branch who can give ideas on how to perform the best. The support staff decides on its own strategy to reach the allocated goal	3
Q.22	The following are the importance of conducting a selection test : - Intelligence Tests: This is one of the important psychological tests used to measure the level of intelligence quotient of an individual. - Aptitude Test: It is a measure of an individual's potential for learning new skills.	3

	<p>- Personality Tests: Personality tests provide clues to a person's emotions, reactions, maturity, value system etc.</p> <p>- Trade Test: These tests measure the existing skills of the individual. They measure the level of knowledge and proficiency in the area of professions or technical training.</p> <p>- Interest Tests: Every individual has a fascination for a particular kind of job than the other. Interest tests are used to know the pattern of interests or involvement of a person.</p> <p>(Any three can be evaluated)</p>	
Q.23	<p>When planning is done based on future predictions and past experiences, controlling becomes more effective.</p> <p>-Planning requires thinking, analysis and the clear expression of the challenges that may occur and methods to overcome them. Such planning makes control more efficient.</p> <p>-Planning is done to achieve the objective of a business at the minimum cost and optimum utilisation of resources. This helps to control the plan easier.</p> <p>-any other relevant point</p> <p>(any three points to be assessed)</p>	3
OR	<p>-Liquidity Ratios: Liquidity ratios are calculated to determine short-term solvency of business; Eg Quick ratio, current ratio</p> <p>-Solvency Ratios: Ratios which are calculated to determine the long-term solvency of business are known as solvency ratios; Eg Debt equity, Proprietary Ratio, Interest Coverage Ratio</p> <p>-Profitability Ratios: These ratios are calculated to analyse the profitability position of a business; Eg Gross Profit Ratio, Net Profit Ratio, Return on Capital Employed</p> <p>-Turnover Ratios: Turnover ratios are calculated to determine the efficiency of operations based on effective utilisation of resources; Eg Inventory Turnover Ratio, Stock Turnover Ratio, Debtors Turnover Ratio</p> <p>(any two to be evaluated)</p>	3
Q.24	<p>- Prohibition of fraudulent and unfair trade practices like making misleading statements, manipulations, price rigging etc.</p> <p>- Controlling insider trading and imposing penalties for such practices.</p> <p>- Undertaking steps for investor protection.</p> <p>- Promotion of fair practices and code of conduct in securities market.</p> <p>-any other relevant point</p>	3

	(any three to be evaluated)	
OR	<p>- Offer through Prospectus: Offer through prospectus is the most popular method of raising funds by public companies in the primary market. This involves inviting subscription from the public through issue of prospectus.</p> <p>- Offer for Sale: Under this method securities are not issued directly to the public but are offered for sale through intermediaries like issuing houses or stock brokers.</p> <p>- Private Placement: Private placement is the allotment of securities by a company to institutional investors and some selected individuals. It helps to raise capital more quickly than a public issue.</p> <p>- Rights Issue: This is a privilege given to existing shareholders to subscribe to a new issue of shares according to the terms and conditions of the company.</p> <p>- e-IPOs: A company proposing to issue capital to the public through the on-line system of the stock exchange has to enter into an agreement with the stock exchange. This is called an Initial Public Offer (IPO).</p> <p>(any three can be evaluated)</p>	3
SECTION C		
Q.25	<p>The limitations of using internal sources for recruitment are as follows:</p> <ul style="list-style-type: none"> - Scope for induction of fresh talent is reduced. - Employees may become lethargic. - New enterprises cannot use internal sources of recruitment. - Spirit of competition among the employees may be hampered. - Frequent transfers of employees may often reduce the productivity of the organisation. <p>(any four to be evaluated)</p>	4
OR	<ul style="list-style-type: none"> - recruitment - analysing jobs, collecting information about jobs to prepare job descriptions - developing compensation and incentive plans - training and development of employees - maintaining labour relations - handling grievances and complaints - providing for social security and the welfare of employees - defending the company in lawsuits and avoiding legal complications <p>(evaluate any four of the above-mentioned points)</p>	4
Q.26	<p>- Energy drink/Product: Product means goods or services or 'anything of value, which is offered to the market for sale.</p>	4

	<ul style="list-style-type: none"> - Retail/Place: Place or Physical Distribution includes activities that make the firm's products available to the target customers. -Print media/Promotion: Promotion of products and services include activities that communicate availability, features, merits, etc. -Market-oriented/Price: Price is the amount of money customers have to pay to obtain the product. 	
OR	<ul style="list-style-type: none"> - Brand: A brand is a name, term, sign, symbol, design or some combination of them, used to identify the products goods or services of one seller or group of sellers and to differentiate them from those of the competitors. - Brand Name: That part of a brand, which can be spoken, is called a brand name. In other words, the brand name is the verbal component of a brand. - Brand Mark: That part of a brand which can be recognised but which is not utterable is called brand mark. It appears in the form of a symbol, design, distinct colour scheme or lettering. - Trade Mark: A brand or part of a brand that is given legal protection is called a trademark. The protection is given against its use by other firms. Thus the firm, which got its brand registered, gets the exclusive right for its use. In that case, no other firm can use such a name or mark in the country. 	4
Q.27	<p>- Single-use Plan: A single-use plan is developed for a one-time event or project. Such a course of action is not likely to be repeated in future, i.e., they are for non-recurring situations. The duration of this plan may depend upon the type of the project. It may span a week or a month. A project may sometimes be of only one day, such as organising an event or seminar or conference.</p> <p>Mr Ankush is appointed to plan the fashion show, which is a one-time event. Hence the type of plan is a standing plan.</p> <p>- Standing Plan: A standing plan is used for activities that occur regularly over a period of time. It is designed to ensure that the internal operations of an organisation run smoothly. Such a plan greatly enhances efficiency in routine decision-making. It is usually developed once but is modified from time to time to meet business needs as required.</p> <p>Mrs Shwetha is appointed to come out with a plan which will improve the efficiency of production. The activity of production is recurring in nature hence the type of plan is a standing plan.</p>	4

Q.28	<p>- Recommendations of Employees: Applicants introduced by present employees, or their friends and relatives may prove to be a good source of recruitment. Such applicants are likely to be good employees because their background is sufficiently known. A type of preliminary screening takes place because the present employees know both the company and the candidates and they would try to satisfy both.</p> <p>- Campus Recruitment: Colleges and institutes of management and technology have become a popular source of recruitment for technical, professional and managerial jobs. Many big organisations maintain a close liaison with universities, vocational schools and management institutes to recruit qualified personnel for various jobs. Recruitment from educational institutions is a well-established practice of businesses. This is referred to as campus recruitment</p> <p>(Each point carries 2 marks)</p>	4
Q.29	<p>- Objectives: The first step in planning is setting objectives. Objectives are the desired future position of the business. They are basic to the organisation and they are defined as ends that the management seeks to achieve through its operations. Therefore, an objective simply stated is what you would like to achieve, i.e., the end result of activities.</p> <p>- Strategy: A strategy provides the broad contours of an organisation's business. It will also refer to future decisions defining the organisation's direction and scope in the long run. Thus, we can say a strategy is a comprehensive plan for accomplishing an organisation's objectives.</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 the strategy.</p> <p>- Rule: Rules are specific statements that inform what is to be done. They do not allow for any flexibility or discretion. It reflects a managerial decision that a certain action must or must not be taken. They are usually the simplest type of plan because there is no compromise or change unless a policy decision is taken.</p>	4
Q.30	<p>- The bag purchased by Ms Ekta would fall under the category of Shopping Products. Shopping products are those consumer goods to which buyers devote considerable time, to compare the quality, price, style, suitability, etc., at several stores, before making the final purchase.</p> <p>- The product required by Ms Sonam will fall under the category of Speciality Products. Speciality products are those consumer goods which have certain special features because of which people make special efforts in their purchase. These products are such, which have reached a brand loyalty of the highest</p>	4

	order, with a significant number of buyers. The buyers are willing to spend a lot of time and effort on the purchase of such products.	
	SECTION D	
Q.31	<p>- Management helps in achieving group goals: Management is required not for itself but for achieving the goals of the organisation.</p> <p>- Management increases efficiency: It reduces costs and increases productivity through better planning, organising, directing, staffing and controlling the activities of the organisation.</p> <p>- Management creates a dynamic organisation: Management helps people adapt to the constant changes that happen continuously in a business environment.</p> <p>- Management helps in achieving 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.</p> <p>- 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.</p> <p>(assessed as a whole)</p>	6
OR	<p>- Be aware of various goods and services available in the market so that an intelligent and wise choice can be made.</p> <p>- Buy only standardised goods as they provide quality assurance. Thus, look for ISI marks on electrical goods, FPO marks on food products, Hallmark on jewellery, etc.</p> <p>- Learn about the risks associated with products and services, follow the manufacturer's instructions and use the products safely.</p> <p>- Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc.</p> <p>- Assert yourself to ensure that you get a fair deal.</p> <p>- Be honest in your dealings. Choose only from legal goods and services and discourage unscrupulous practices like black-marketing, hoarding, etc.</p> <p>- Ask for a cash memo on the purchase of goods or services. This would serve as proof of the purchase made.</p>	6

	<p>-File a complaint in an appropriate consumer forum in case of a shortcoming in the quality of goods purchased or services availed. Do not fail to take an action even when the amount involved is small.</p> <p>-Form consumer societies which would play an active part in educating consumers and safeguarding their interests.</p> <p>-Respect the environment. Avoid waste, littering and contributing to pollution.</p> <p>(any 6 points to be evaluated)</p>	
Q.32	<p>- Setting performance standards - The first step in the controlling process is setting up performance standards. Standards are the criteria against which actual performance would be measured. Thus, standards serve as benchmarks towards which an organisation strives to work.</p> <p>In the given case, Mr Anshul had set the performance standard as the production of 200 units of goods in a month's time</p> <p>- Measurement of Actual Performance: Once performance standards are set, the next step is a measurement of actual performance. Performance should be measured in an objective and reliable manner. There are several techniques for the measurement of performance. These include personal observation, sample checking, performance reports, etc.</p> <p>In the given case, Mr Anshul had requested the final count of the goods produced during the month to compare the actual performance with the standard.</p> <p>- Comparing Actual Performance with Standards: This step involves a comparison of actual performance with the standard. Such comparison will reveal the deviation between actual and desired results.</p> <p>In the given case, Mr Anshul had compared the actual production of 140 units with the target of 200 units</p> <p>- Analysing Deviations: Some deviation in performance can be expected in all activities. It is, therefore, important to determine the acceptable range of deviations and the reason for such deviations.</p> <p>In the given case, Mr Anshul had inquired the factory supervisor about the reason for the low production who revealed the reason to be faulty machinery.</p>	6

	<p>- Taking Corrective Action: The final step in the controlling process is taking corrective action.</p> <p>No corrective action is required when the deviations are within acceptable limits. However, when the deviations go beyond the acceptable range, especially in important areas, it demands immediate managerial attention so that deviations do not occur again and standards are accomplished.</p> <p>In the given case, Mr Anshul had requested the replacement of the faulty machinery as a corrective action.</p>	
OR	<p>- Basic Physiological Needs: These needs are most basic in the hierarchy and corresponds to primary needs. Hunger, thirst, shelter, and sleep are some examples of these needs. In the organisational context, basic salary helps to satisfy these needs.</p> <p>- Safety/Security Needs: These needs provide security and protection from physical and emotional harm. Examples: job security, stability of income, Pension plans etc.,</p> <p>- Affiliation/Belonging Needs: These needs refer to affection, sense of belongingness, acceptance and friendship.</p> <p>- Esteem Needs: These include factors such as self-respect, autonomy status, recognition and attention.</p> <p>- Self Actualisation Needs: It is the highest level of need in the hierarchy. It refers to the drive to become what one is capable of becoming. These needs include growth, self-fulfillment and achievement of goals</p>	6
Q.33	<p>- Cost: The cost of raising funds through different sources are different. A prudent financial manager would normally opt for a source which is the cheapest.</p> <p>- Risk: The risk associated with each of the sources is different.</p> <p>- Floatation Costs: Higher the floatation cost, the less attractive the source</p> <p>- Cash Flow Position of the Company: A stronger cash flow position may make debt financing more viable than funding through equity.</p> <p>- Fixed Operating Costs: If a business has high fixed operating costs (e.g., building rent, Insurance premium, Salaries, etc.), It must reduce fixed financing</p>	6

	<p>costs. Hence, lower debt financing is better. Similarly, if fixed operating cost is less, more debt financing may be preferred.</p> <ul style="list-style-type: none"> - Control Considerations: Issues of more equity may lead to dilution of management's control over the business. Debt financing has no such implication. Companies afraid of a takeover bid would prefer debt to equity. - State of Capital Market: Health of the capital market may also affect the choice of source of funds. During the period when the stock market is rising, more people invest in equity. However, a depressed capital market may make an issue of equity shares difficult for any company. 	
Q.34	<p>Businesses must lay emphasis on protecting the consumers and adequately satisfying them. This is important because of the following reasons:</p> <ul style="list-style-type: none"> -Satisfied customers lead to repeating sales and provide good feedback to prospective customers and thus, help in increasing the customer base of business. -Business organisations use resources which belong to society. They, thus, have a responsibility to supply such products and render such services which are in the public interest. -Consumers form an important group among the many stakeholders of the business and like other stakeholders, their interest has to be well taken care of. -It is the moral duty of any business to take care of consumers' interests and avoid any form of their exploitation. -A business engaging in any form of exploitative trade practices would invite government intervention or action. 	6