

MARKING SCHEME -SAMPLE PAPER 2

BUSINESS STUDIES (054)

2023-24

	Answers:	Marks
1.	a)Return on Investment	1
2.	b)management is a dynamic function	1
3.	c) it helps in improving performance	1
4.	c) setting performance standards	1
5.	c) both efficient and effective	1
6.	b) technological and social environment	1
7.	d) controlling	1
8.	d) divisional structure and formal organisation	1
9.	d) it is very difficult to predict future happenings especially when environmental changes are taking place too frequently.	1
10.	c) ii,iv,i,iii	1
11.	b)Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)	1
12.	c)increase in real estate prices	1
13.	b) planning does not guarantee success	1
14.	c) delegation	1
15.	a). sample checking of certain random pieces for quality.	1
16.	b)Aii, Biv, Ci, Diii	1
17.	b)controlling is prescriptive whereas planning is evaluative	1
18.	d) organising	1
19.	b) organisational and social objective	1
20.	c) policy and objective	1

27.	<p>(v) improves job satisfaction and morale of employees through objective assessment and fair reward for their contribution.</p> <p>Features of Informal Organisation are</p> <p>(a) An informal organisation originates from within the formal organisation as a result of personal interaction among employees.</p> <p>(b) The standards of behaviour evolve from group norms rather than officially laid down rules and regulations.</p> <p>(c) Independent channels of communication without specified direction of flow of information are developed by group members.</p> <p>(d) It emerges spontaneously and is not deliberately created by the management.</p>	1 mark each for stating any 4 points
28.	<p>(e) It has no definite structure or form because it is a complex network of social relationships among members.</p> <p>a)The working capital requirement of Ashutosh Savarkar is low as the production cycle is shorter</p> <p>b)Factors that should be considered before determining the working capital requirement are:</p> <ol style="list-style-type: none"> 1. Nature of Business: A trading organisation usually needs a smaller amount of working capital compared to a manufacturing organisation. This is because there is usually no processing. Similarly, service industries which usually do not have to maintain inventory require less working capital. 2. Scale of Operations: For organisations which operate on a higher scale of operation, the quantum of inventory and debtors required is generally high. Such organisations, therefore, require large amount of working capital 3. Business Cycle:In case of a boom, the sales as well as production are likely to be larger and, therefore, a larger amount of working capital is required. As against this, the requirement for working capital will be lower during the period of depression as the sales as well as production will be small. 4. Seasonal Factors: In peak season, because of higher level of activity, larger amount of working capital is required. As against this, the level of activity as well as the requirement for working capital will be lower during the lean season. 5.Credit Allowed: Different firms allow different credit terms to their customers. A liberal credit policy results in higher amount of debtors, increasing the requirement of working capital. 6. Credit Availed: Just as a firm allows credit to its customers it also may get credit from its suppliers. To the extent it avails the credit on purchases, the working capital requirement is reduced. 7. Operating Efficiency: Firms manage their operations with varied degrees of efficiency. Such efficiencies may reduce the level of raw materials, finished goods and debtors resulting in lower requirement of working capital. 8. Availability of Raw Material: If the raw materials and other required materials are available freely and continuously, lower stock levels may suffice. In addition, the time lag between the placement of order and the actual receipt of the materials (also called lead time) is also relevant. 9. Growth Prospects: If the growth potential of a concern is perceived to be higher, it will require a larger amount of working 	1 mark for identifying and 1 mark each for stating any 3 points

30.	<p>Any 4 points of distinction between New Issue Market and Stock Exchange</p>		<p>1 mark each for any 4 points of distinction</p>																			
	<table border="1"> <thead> <tr> <th data-bbox="272 309 328 342"></th> <th data-bbox="328 309 762 342">New Issue Market</th> <th data-bbox="762 309 1182 342">Stock Exchange</th> </tr> </thead> <tbody> <tr> <td data-bbox="272 342 328 539">i</td> <td data-bbox="328 342 762 539">There is sale of securities by new companies or further (new issues of securities by existing companies to investors).</td> <td data-bbox="762 342 1182 539">There is trading of existing shares only.</td> </tr> <tr> <td data-bbox="272 539 328 736">ii</td> <td data-bbox="328 539 762 736">Securities are sold by the company to the investor directly (or through an intermediary).</td> <td data-bbox="762 539 1182 736">Ownership of existing securities is exchanged between investors. The company is not involved at all.</td> </tr> <tr> <td data-bbox="272 736 328 902">iii</td> <td data-bbox="328 736 762 902">The flow of funds is from savers to investors, i.e. the primary market directly promotes capital formation.</td> <td data-bbox="762 736 1182 902">Enhances encashability (liquidity) of shares, i.e. the secondary market indirectly promotes capital formation.</td> </tr> <tr> <td data-bbox="272 902 328 1068">iv</td> <td data-bbox="328 902 762 1068">Only buying of securities takes place in the primary market, securities cannot be sold there</td> <td data-bbox="762 902 1182 1068">Both the buying and the selling of securities can take place on the stock exchange.</td> </tr> <tr> <td data-bbox="272 1068 328 1207">v</td> <td data-bbox="328 1068 762 1207">Prices are determined and decided by the management of the company.</td> <td data-bbox="762 1068 1182 1207">Prices are determined by demand and supply for the security.</td> </tr> <tr> <td data-bbox="272 1207 328 1301">vi</td> <td data-bbox="328 1207 762 1301">There is no fixed geographical location.</td> <td data-bbox="762 1207 1182 1301">Located at specified places.</td> </tr> </tbody> </table>			New Issue Market	Stock Exchange	i	There is sale of securities by new companies or further (new issues of securities by existing companies to investors).	There is trading of existing shares only.	ii	Securities are sold by the company to the investor directly (or through an intermediary).	Ownership of existing securities is exchanged between investors. The company is not involved at all.	iii	The flow of funds is from savers to investors, i.e. the primary market directly promotes capital formation.	Enhances encashability (liquidity) of shares, i.e. the secondary market indirectly promotes capital formation.	iv	Only buying of securities takes place in the primary market, securities cannot be sold there	Both the buying and the selling of securities can take place on the stock exchange.	v	Prices are determined and decided by the management of the company.	Prices are determined by demand and supply for the security.	vi	There is no fixed geographical location.
	New Issue Market	Stock Exchange																				
i	There is sale of securities by new companies or further (new issues of securities by existing companies to investors).	There is trading of existing shares only.																				
ii	Securities are sold by the company to the investor directly (or through an intermediary).	Ownership of existing securities is exchanged between investors. The company is not involved at all.																				
iii	The flow of funds is from savers to investors, i.e. the primary market directly promotes capital formation.	Enhances encashability (liquidity) of shares, i.e. the secondary market indirectly promotes capital formation.																				
iv	Only buying of securities takes place in the primary market, securities cannot be sold there	Both the buying and the selling of securities can take place on the stock exchange.																				
v	Prices are determined and decided by the management of the company.	Prices are determined by demand and supply for the security.																				
vi	There is no fixed geographical location.	Located at specified places.																				
31.	<p>Significance of Principles of Management:</p> <p>(i) Providing managers with useful insights into reality:The principles of management provide the managers with useful insights into real world situations. Adherence to these principles will add to their knowledge, ability and understanding of managerial situations and circumstances. As such management principles increase managerial efficiency.</p> <p>(ii) Optimum utilisation of resources and effective administration: 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. Effective administration necessitates impersonalisation of managerial conduct so that managerial power is used with due discretion.</p> <p>(iii) Scientific decisions: 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.</p> <p>(iv) Meeting changing environment requirements: Although the principles are in the nature of general guidelines but they are</p>		<p>11/2 Marks each for explaining any 4 points</p>																			

<p>modified and as such help managers to meet changing requirements of the environment.</p> <p>(v) Fulfilling social responsibility: The increased awareness of the public, forces businesses especially limited companies to fulfill their social responsibilities.</p> <p>vi) Management training, education and research: Principles of management are at the core of management theory. As such these are used as a basis for management training, education and research.</p> <p style="text-align: center;">OR</p> <p>Features of Principles of Management</p> <p>(i) Universal applicability: The principles of management are intended to apply to all types of organisations, business as well as non-business, small as well large, public sector as well as private sector, manufacturing as well as the services sectors. However, the extent of their applicability would vary with the nature of the organisation, business activity, scale of operations and the like.</p> <p>(ii) General guidelines: The principles are guidelines 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.</p> <p>(iii) Formed by practice and experimentation: The principles of management are formed by experience and collective wisdom of managers as well as experimentation.</p> <p>(iv) Flexible: The principles of management are not rigid prescriptions, which have to be followed absolutely. They are flexible and can be modified by the manager when the situation so demands.</p> <p>(v) Mainly behavioural: Management principles aim at influencing behaviour of human beings. Therefore, principles of management are mainly behavioural in nature.</p> <p>(vi) Cause and effect relationships: The principles of management are intended to establish relationship between cause and effect so that they can be used in similar situations in a large number of cases. The principles of management are less than perfect since they mainly apply to human behaviour.</p> <p>vii) Contingent: The application of principles of management is contingent or dependent upon the prevailing situation at a particular point of time. The application of principles has to be changed as per requirements.</p> <p>a. Government and other regulations</p> <p>b. Other factors affecting price of a product are</p> <p>1. Product cost: One of the most important factor affecting price of a product or service is its cost. This includes the cost of producing, distributing and selling the product. The cost sets the minimum level or the floor price at which the product may be sold.</p> <p>2. The Utility and Demand: While the product costs set the lower limits of the price, the utility provided by the product and the intensity of demand of the buyer sets the upper limit of price, which a buyer would be prepared to pay. The buyer may be ready to pay up to the point where the utility from the product is at least equal to the sacrifice made in terms of the price paid. According</p>	<p>11/2 Marks each for explaining any 4 points</p>
---	--

<p>32.</p>	<p>to the law of demand, consumers usually purchase more units at a low price than at a high price. 3. Extent of Competition in the Market: The price will tend to reach the upper limit in case there is lesser degree of competition while under conditions of free competition, the price will tend to be set at the lowest level .</p> <p>4. Pricing Objectives: If the firm decides to maximise profits in the short run, it would tend to charge maximum price for its products. But if it is to maximise its total profit in the long run, it would opt for a lower per unit price so that it can capture larger share of the market.</p> <p>5. Marketing Methods Used: Price fixation process is also affected by other elements of marketing such as distribution system, quality of salesmen employed, quality and amount of advertising, sales promotion efforts, the type of packaging, product differentiation, credit facility and customer services provided.</p> <p>a. Concept identified is Financial Planning.</p> <p>b. Significance of Financial Planning</p> <p>(i) It helps in forecasting what may happen in future under different business situations. By doing so, it helps the firms to face the eventual situation in a better way. In other words, it makes the firm better prepared to face the future.</p> <p>(ii) It helps in avoiding business shocks and surprises and helps the company in preparing for the future.</p> <p>(iii) It helps in coordinating various business functions, e.g., sales and production functions, by providing clear policies and procedures.</p> <p>(iv) Detailed plans of action prepared under financial planning reduce waste, duplication of efforts, and gaps in planning.</p> <p>(v) It tries to link the present with the future.</p>	<p>1 mark for identifying and 1 mark each for stating 5 factors.</p>
<p>33.</p>	<p>(vi) It provides a link between investment and financing decisions on a continuous basis.</p> <p>(vii) By spelling out detailed objectives for various business segments, it makes the evaluation of actual performance easier.</p> <p>a) The Consumer protection Act 2019 seeks to protect and promote the consumers' interest through speedy and inexpensive redressal of their grievances.</p> <p>b) Responsibilities of a consumer are:</p> <p>(i) Be aware about various goods and services available in the market so that an intelligent and wise choice can be made.</p> <p>(ii) Buy only standardised goods as they provide quality assurance. Thus, look for ISI mark on electrical goods, FPO mark on food products, Hallmark on jewellery, etc.</p> <p>(iii) Learn about the risks associated with products and services, follow manufacturer's instructions and use the products safely.</p> <p>(iv) Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc.</p> <p>(v) Assert yourself to ensure that you get a fair deal.</p> <p>(vi) Be honest in your dealings. Choose only from legal goods and services and discourage unscrupulous practices like black-marketing, hoarding, etc.</p> <p>(vii) Ask for a cash memo on purchase of goods or services. This would serve as a proof of the purchase made.</p>	<p>1 mark for identifying and 1 mark each for stating</p>

