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Board Class 12
Business Studies
Topper Answer Sheet
2018
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A.1 Decentralisation means distribution of powers and of decision making to the lowest level of authority. It is delegation to the lowest levels of an organisation.

A.2 Method means the manner in which a task has to be performed. It deals with one step of procedure and then tells how it is to be performed.

A.3 steps are:

1. Setting up of objectives
 2. Developing Planning premises
- function of management is planning

A.4 The factor is availability of raw materials. The working capital requirement will be more because the lead time is more i.e. time gap between placement & receipt of materials is more.

5 The minimum amount of Treasury bills is ₹ 25000 and then in multiples thereof. Thus investor cannot invest ₹ 20000.

6 understanding of marketing management philosophy is important as on the basis of these, an organisation decides the combination of marketing tools i.e. Marketing mix to achieve its objectives.

A-7 District consumer dispute redressal forum consists of a president and two other members, one of which is a woman. They are appointed by the state government.

A-8 Labelling function is Product Promotion. It means using of attractive labels to attract attention of customers and give them reasons for purchase. For example - Buy three get one free, 30% extra etc.

A-9	Basis	Formal Organisation	Informal Organisation
(3)	i) <u>Origin</u>	It originates as a result of company <u>rules and policies</u> .	Inter social interaction at the <u>work place</u> leads to formation of informal organisation.
ii)	<u>Authority</u>	It arises as a result of <u>position</u> of individual in organisation.	It arises as a result of <u>personal qualities</u> .
iii)	<u>Flow of Communication</u>	Flow of communication takes place through <u>established scalar chain</u> .	There is no specified route. Communication takes place in <u>all directions</u> .

A-10

Steps in Selection Procedure

1. References and Background check
2. Selection decision
3. Medical Examination

1. References and Background check

- Sometimes the employers may ask for name, address and contact numbers of references to verify the information and gain additional information.
- references can be

- teachers
- college or university professors
- previous employers

2. Selection decision

after the selection tests and interviews and checks have been done, selection decision is made. The views of the concerned managers is taken as he will be the one responsible for employee's performance.

3. Medical examination

once the selection decision is made and before job offer, the employees have to undergo medical examination. They are given job offer only when they are physically fit.

A.11

3

a) Leadership style used is democratic leadership.

b) Positive Aspects -

1. Flow of communication
communication flows in all the directions as there is no specific root route. This ensures quick decision making and feedback. It avoids procedural delays.
2. Informal communication fills up for inadequacies of formal communication. For example employees reaction towards a policy can be checked through informal networks.

A-12 The company should go for option B A

3 This is because the Return on Investment $>$ Interest Rate.

- The return on investment is between 10-12% which is more than the rate of interest, 9%.
- This will be profitable for the company and it will be able to meet fixed obligations.
- The company uses return on investment to take advantage of trading on equity.
- Trading on Equity means increase in earnings of shareholders to take advantage of ^{by} fixed financial charges like interest.
- This affects companies capital structure.

A-13 Importance of consumer protection from point of view of business :

③ 1. Business uses society's resources

since business uses resources of society for $1\frac{1}{2}$ its input requirements, it should produce those outputs and goods which are in public interest and do not impair public confidence in them. so it should aim at consumer protection

2. Government Intervention.

If the company engages in mal-practices. it will invite government intervention. This can hamper $1\frac{1}{2}$ and tarnish the image of the company. Thus it should avoid unscrupulous trade practices and voluntarily take actions for consumer protection.

A-14

(4)

The organisation structure adopted is Functional structure.

Advantages of functional structure

1. It leads to occupational specialisation as the emphasis is on specific functions. It leads to efficiency in utilisation of manpower as managers perform only one task and are able to improve their performance.
2. Training
Training becomes easier as emphasis is on training specific actions functions of workers.
3. Control and coordination
It leads to better coordination and control because of similarity of tasks performed within

a department and improved performance.

A-15 The function of management is PLANNING

(H) Features -

1. setting up of objectives

Quote - "For this he set out specific goals along with the activities to be performed to achieve the goals"

Meaning - organisations are set up for a general purpose. specific plans are then laid down to achieve specific goals. Planning is purposeful. It has no significance till it leads to achievement of some goals.

2. Planning is futuristic

Quote - "He wanted to ensure future events are met effectively in the best interest of company. Through sales forecasting he prepared an annual plan for production and sales."

Meaning - Planning involves looking ahead and preparing for future. It means meeting future goals in the best possible manner. It is a forward looking function based on forecasting.

3. Planning facilitates decision making

Quote - "He not only identified but evaluated various alternatives through which farmers could be utilised for remaining months of year."

meaning - Planning involves making choice amongst various alternatives. It presupposes the existence of certain alternatives. Each alternative is evaluated and a best one is selected. Planning thus involves decision making.

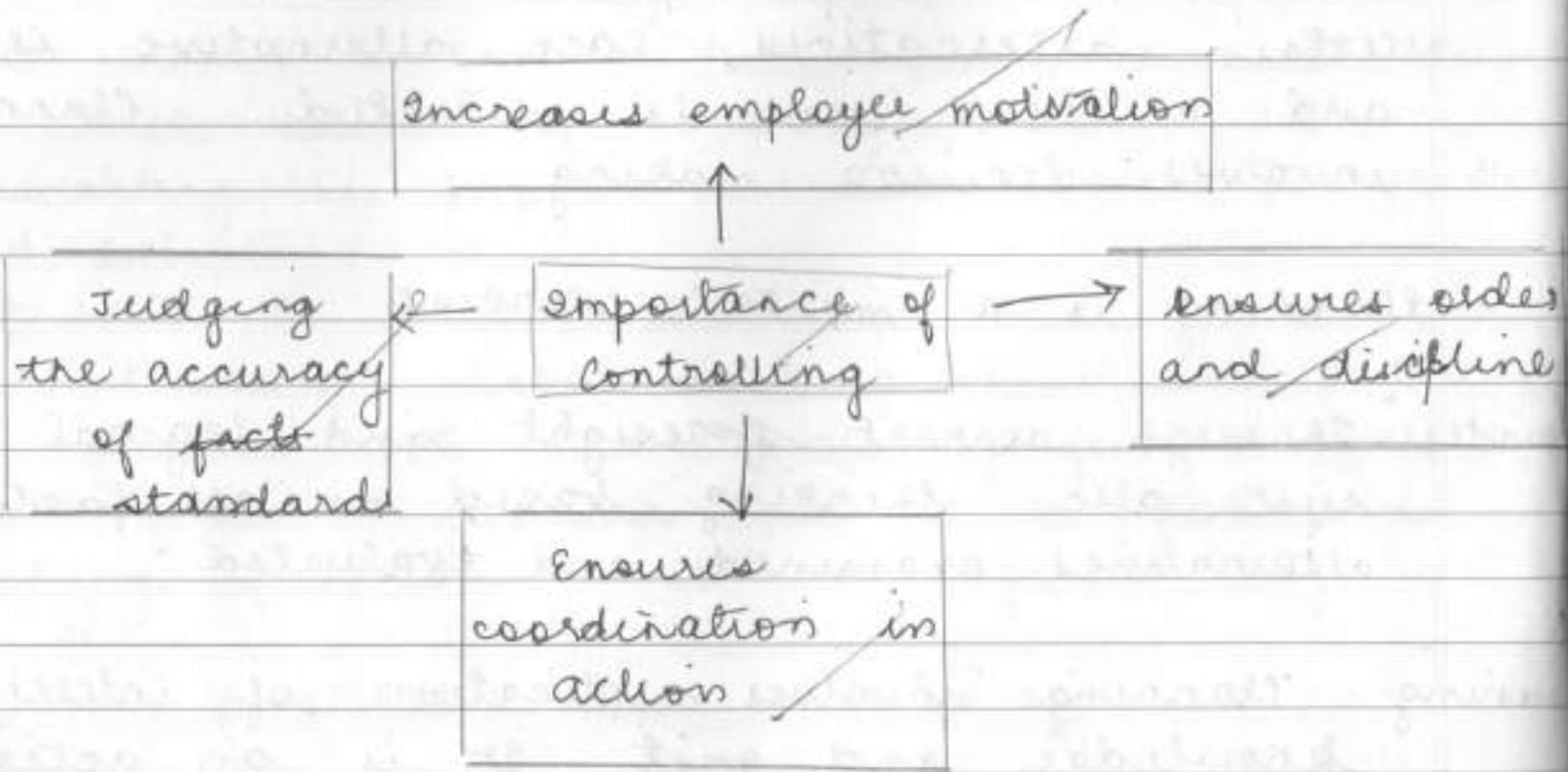
4. Planning is a mental exercise.

Quote: "Through correct foresight and logical and systematic thinking based on all facts, all alternatives examined and evaluated".

meaning - Planning involves application of intelligence, knowledge and grit. It is an activity of thinking rather than doing. It should be based on systematic thinking rather than wishful thinking. Planning is a tool to be used with caution.

A-16

Importance of controlling function



4. Judging accuracy of facts standards

- Controlling function ensures that the objectives set are accurate and objective.
- A good control system keeps a check on activities taking place outside the organisation and inside the organisation and helps in reviewing the standards.

2. ensures order and discipline

- Controlling reduces the dishonest behaviour of employees by keeping close check on the activities of employees.
- This way it ensures order and discipline.

3. Ensures coordination in action

- Controlling ensures that all the activities in an organisation move in the same direction.
- As all the activities are performed according to pre-determined objectives, it ensures coordination and reduces overlapping of activities.

4. Increases Employee Motivation

- Controlling sets up some standards of employees and employees know the standards against which their performance will be measured.
- It thus increases employee motivation.

4) The incentive provided is ^{Non} Financial - Incentive - Employee recognition programmes.

5) The need satisfied is Esteem Needs.

These needs help the employee to satisfy his need for recognition, autonomy, self-respect, job title, job status etc.

c) The values communicated are:-

1. development of backward Areas

They help in development of rural areas by providing medical facilities. Thus they are fulfilling social responsibility.

- saving girl child, equality
As they are treating all the patients equally, they are fulfilling their ethical responsibilities.

A-18 Protective Functions of SEBI are:-

- (H) 1. Avoid unfair trade practices such as misleading statements issued by the companies and preventing price rigging.
2. Controlling insider trading and imposing strict penalties against the same.
3. Protect the ^{interest of} investors particularly individual investors and guide them about their rights.

4. Promoting a free and fair ^{practices and} code of conduct amongst the intermediaries in the securities market. 1

A-19

- (a) The responsibility he had to fulfill is :-
- He should read the labels and use the product according to the instructions given. 1
 - He should learn about the risks associated with the product and use it safely.

- b) The rights exercised are :-

1. Right to be heard 1 1/2

- The consumer has the right to file a complain and be heard in case of dissatisfaction of the product.

- many enlightened consumer forums & businesses have set up grievance and call centres for this purpose.
- many consumer organisations are also moving towards this purpose.

2. Right to seek redressal

- A consumer has the right to get relief in $1\frac{1}{2}$ case the product falls short of expectations.
- According to consumer protection act, there are many reliefs like refund, replacement of product, removing the defect, getting compensation etc.

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co-ordination is the process of synchronising the activities of various departments by the managers.

The features are :

continuous process

Pervasive

responsibility of all managers

deliberate function

continuous process

co-ordination is a continuous process as it is performed all managers at all times.

it is required in planning, organising, staffing, directing and controlling.

2. Coordination is pervasive

- Coordination is required at all levels due to interdependent nature of all departments.
- All the departments are integrated and depend on each other.
- If there is no coordination, it will lead to chaos instead of harmony.

3. Coordination is responsibility of all managers

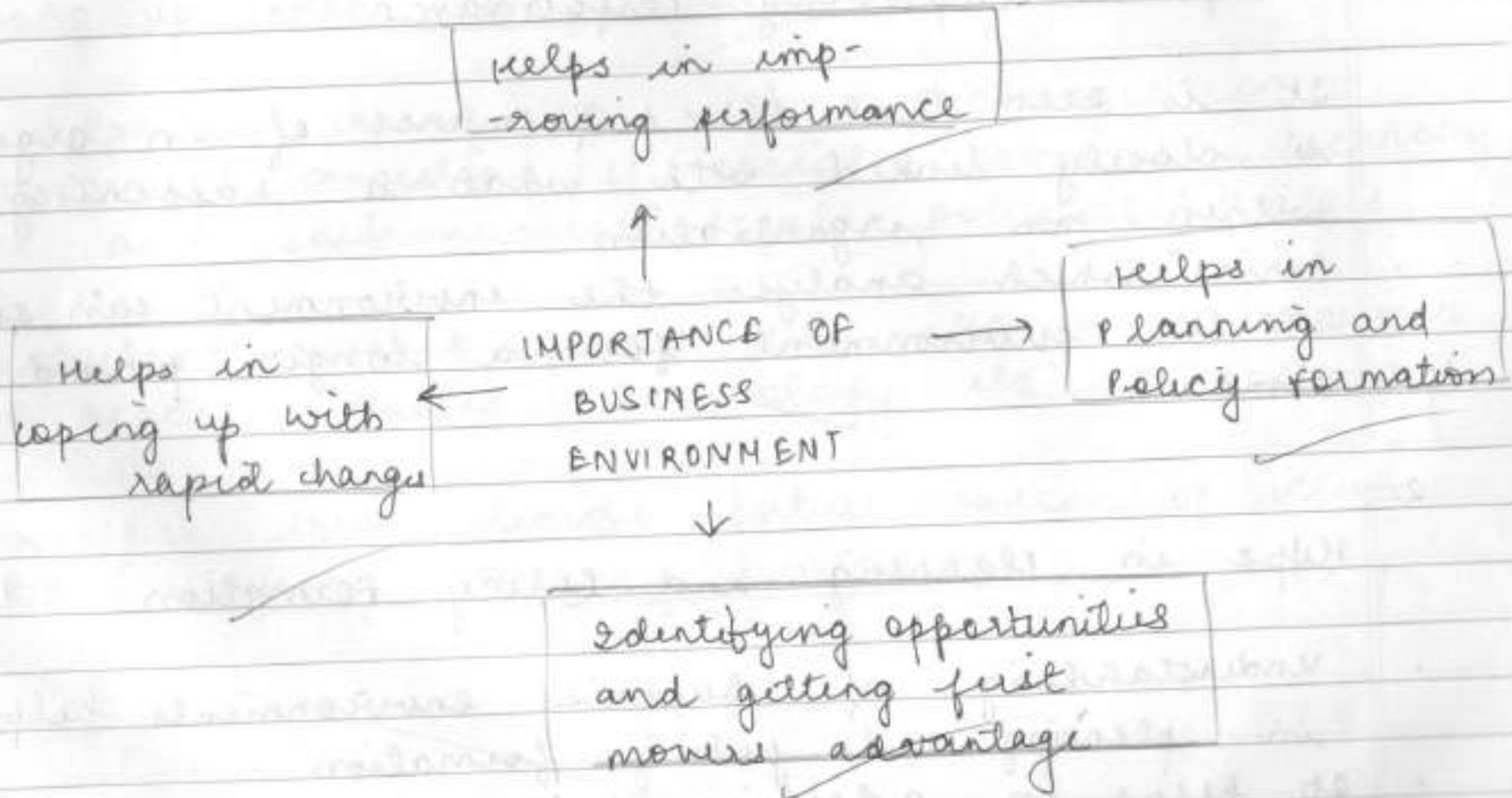
- Coordination is performed by top level managers to ensure that overall policies have been carried out.
- It is performed by middle level to pass on the instructions of top to lower level and act as a link.

- It is performed by lower level to ensure that work proceeds according to plans
- 4. coordination is a deliberate function
 - It is a deliberate function. even where there is cooperation, coordination gives direction to that willing spirit.
 - Coordination without cooperation leads to wasted efforts. dissatisfaction amongst employees.
 - Cooperation without coordination leads to dissatisfaction wasted efforts.

A-21 a) The feature of Business Environment is
 (5) 'SPECIFIC AND GENERAL FORCES'.

- The business environment consists of $\frac{1}{2}$ specific and general forces.
- The specific forces like competition, customers influence a single firm directly and its day to day working.
- The general forces ^{like...} affect all firms and so affects individual firm indirectly.

b) Importance of business environment:



1. Helps in improving performance

- It is seen that the performance of an organisation is closely linked with what is happening within an organisation.
- Firms which analyse the environment can survive in the environment for a longer period of time.

2.

Helps in planning and policy formation

- Understanding of business environments helps in planning and policy formation.
- It helps in adopting future course of action (planning) and training guidelines for decision making (policy).

coping up with rapid changes

It helps in coping up with the changes in environment consisting of social, economic, technological and environmental legal, political factors

Turbulent market forces like change in consumer preferences, tastes, technology etc are responsible for this.

Managers thus decide future course of action after analysing various dimensions.

P.T.O

4. Helps in identification of opportunities and get the first movers advantage.
- opportunities are positive changes that improve a firm's performance.
 - It helps to exploit an opportunity instead of losing it to the competitors.
 - For example Maruti Udyog developed as the leader in small car market because it identified the need.

22

a)

The concept is PRICE MIX [marketing] |

(S)

Factors affecting price of a product are :-

Product cost

Product cost includes the cost of acquisition and manufacturing.

It sets up the minimum price at which product is sold.

generally firms keep low try to cover their costs in long run. In addition they also try to earn profit.

Types of costs are :-

- 1.
- fixed costs - they do not vary with the level of activity of firm and are fixed
 - variable costs - They change with level of activity directly
 - semi variable costs - They vary with level of activity of a firm but not in direct proportion to it.

2. Utility and Demand

- while the product cost sets lower limit, the demand derived by it sets up the upper limit of product.
- The consumers buy the product when they perceive that it is equal to value of product in terms of price paid.
- The price must reflect the interest of both.

- The sellers must cover cost
- more inelastic product, higher the price

3. competition in the market.

- The price settles between upper and lower limit depending upon competition in market.
- If competition is high, price will be set at the lowest level and vice-versa
- The competitors pricing and reactions should also be taken in consideration
- Their product features should also be seen!

4. Marketing methods used

- The ~~use~~ marketing methods help in fixing price of product.
- These included quality of sales person, channel of distribution, advertising, sales promotion etc.
- Uniqueness in any of the element helps in fixing price of the product.

extra written

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A-2B

The principles of management are :-

⑥

1. science not rule of thumb $\frac{1}{2}$
2. development of each and every person to his greatest efficiency and prosperity $\frac{1}{2}$

1. SCIENCE NOT RULE OF THUMB $\frac{1}{2}$

- When during earlier days of industrial revolution, people used trial and personal judgements to solve a problem, it suffered from Trial and Error Approach.

4.

- All the managers followed their own rules and goals were difficult to realise.
- Thus Taylor believed that there was only one best way of doing a job to increase the efficiency.
- It was developed after observation, experience.
- This would replace involve investigation of past policies, unifying the best practices and develop a code of conduct for entire organisation.
- even a simple task of loading pegs in trucks should be scientifically managed.

2. development of each and every person to his greatest efficiency and prosperity.

- Industrial efficiency depends upon personal competencies.
- Every worker should be selected scientifically
- The work should match his physical, intellectual and mental capacity.
- He should be then trained to perform better
- Thus worker will be able to earn more and produce more.
- This will lead to prosperity of workers and company

The technique is METHOD STUDY

2

- This states that there is one best way to perform a task.
- Everything from raw materials, men, till the delivery of product come under this.
- Taylor devised the concept of assembly line using this.
- even now, Ford motors use these.
- It helps in minimising the cost of product and maximising the efficiency.

A-24 a) Training and development

(6) It means providing in house and collaborating with other institutions to provide training and develop skills of employees.

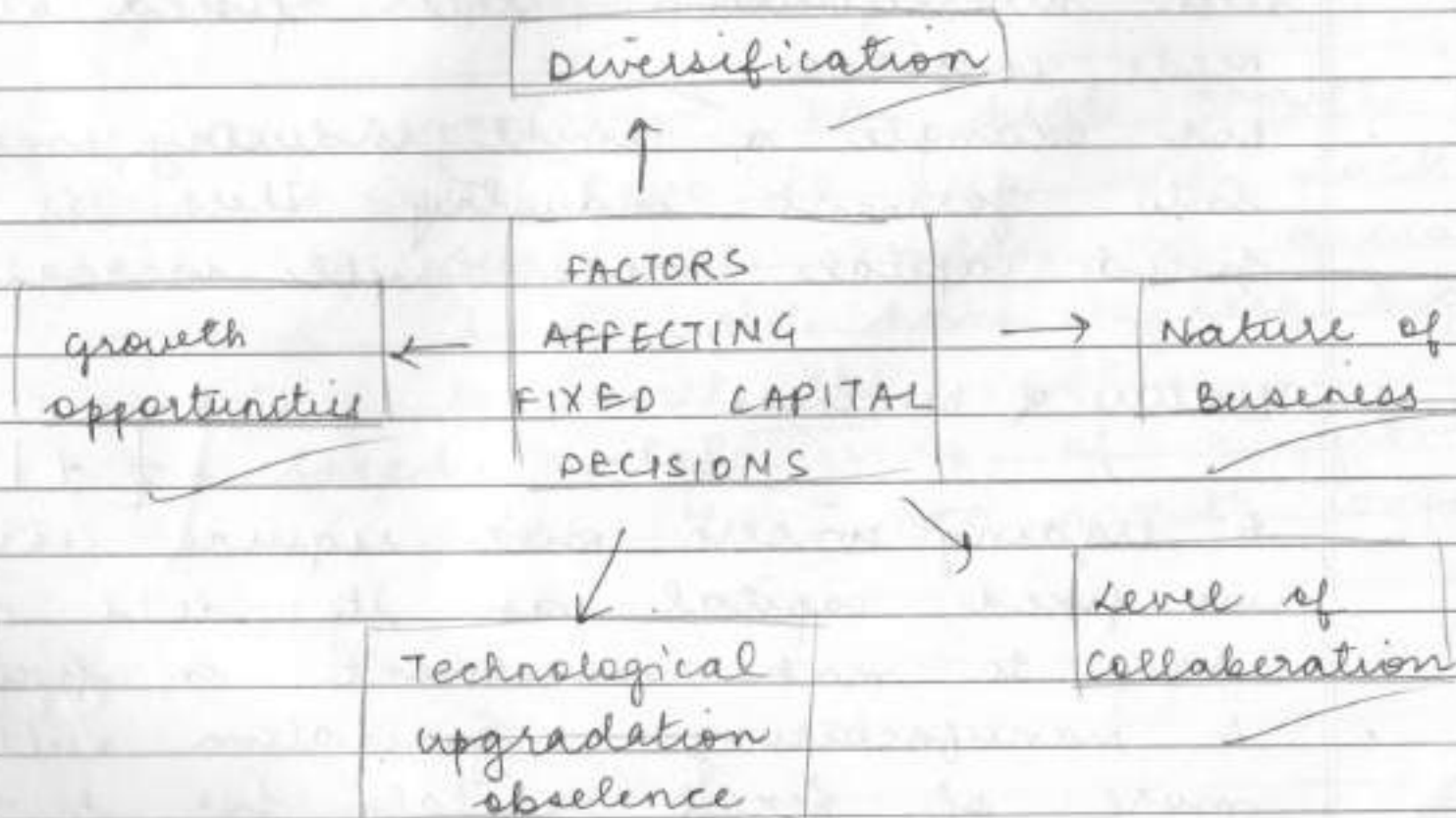
b) Benefits to Moga Industries are :-

1. It increases the morale of workers as it lowers absenteeism and employee turnover.
2. It emphasizes on systematic learning which is better than hit and trial method which leads to wastage.

3. It increases employee productivity both in terms of quality and quantity of output. This leads to increase in performance and productivity.
4. It helps in developing future manager who can take charge in case of emergency.
5. It helps up in obtaining fast response to rapidly changing environment.

A-25 Factors affecting fixed capital :

6



1. Diversification

$$\frac{1}{2} + 1$$

- A company may diversify for various reasons.
- With diversification, their fixed capital needs increase.
- For example a cement industry may diversify into garment industry. Thus its ~~workings~~ fixed capital needs will increase.

2. Nature of Business

$$\frac{1}{2} + 1$$

- A trading concern will require less of ~~use~~ fixed capital as it does not have to make investment in fixed assets.
- A manufacturing organisation will require more of fixed capital for purchase of plant, machine etc.

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3. Growth opportunities $\frac{1}{2} + 1$

- If the organisation has high growth opportunities it will have to keep more stock.
- Even if such an increase in demand is expected, firm will have to keep high inventory to meet the needs.
- Thus fixed capital needs of a growth company is more than non growth companies.

P.T.O

4. level of collaboration $1\frac{1}{2}$

- A firm may collaborate with other firms to jointly establish a particular facility
- For example, banks may ^{share} open up their ATM facilities jointly.
- This is used when the scale of the business is not sufficient to utilise the whole facility.
- As a result, the fixed capital contribution of each contributing firms should decrease.