

Class XII Session 2025-26

Subject - Business Studies

Sample Question Paper - 5

Time Allowed: 3 hours

Maximum Marks: 80

General Instructions:

1. This question paper contains 34 questions.
2. Marks are indicated against each question.
3. Answers should be brief and to the point.
4. Answers to the questions carrying 3 marks may be from 50 to 75 words.
5. Answers to the questions carrying 4 marks may be about 150 words.
6. Answers to the questions carrying 6 marks may be about 200 words.
7. Attempt all parts of the questions together.

1. **Mack Ltd.** is a leading software development company. The company is satisfying the diverse needs of its employees. Its employees are given competitive salaries and perks. They have been given chance for their personal growth and development. For harmony in the organization, management has to reconcile personal goals with organizational objectives. Identify the objective of management being met by **Mack Ltd.** [1]

a) Personnel	b) Both Social and Personnel
c) Organisational	d) Social
2. Where are the principles of management applicable? [1]

a) In the field of business	b) In the non-business field
c) Both in business and non-business field	d) in work field only
3. **Assertion (A):** Directing facilitates introduction of needed changes in the organisation. [1]
Reason (R): Effective directing through motivation, communication and leadership helps to reduce such resistance and develop required cooperation in introducing changes in the organisation.

a) Both A and R are true and R is the correct explanation of A.	b) Both A and R are true but R is not the correct explanation of A.
c) A is true but R is false.	d) A is false but R is true.
4. Who of the following ensures that the work is progressing at the desired speed or not? [1]

a) Supervision	b) Planning
c) Organising	d) Communication
5. **Statement I:** Values are general rules for behaviour of individuals in society formed on the basis of common practice and principles after research in work situations. [1]
Statement II: While practising principles of management, values cannot be neglected as businesses have to

Choose the correct option from the options given below:

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- ii. Reduces morality
- iii. Creates rigidity
- iv. timeconsuming process

- a) ii and iii
- b) i and ii
- c) only iv
- d) only iii

15. _____ is the process of learning and growth. [1]

- a) Development
- b) Presentation
- c) Education
- d) Training

16. Which of the following is not an objective of financial planning? [1]

- a) All are the objectives of financial planning.
- b) To choose the best investment and financing alternatives by focusing on their costs and benefits.
- c) To ensure availability of funds whenever required.
- d) To see that the firm does not raise resources unnecessarily.

17. Borrowed funds refer to the _____. [1]

- a) Public Deposits
- b) Long term loans
- c) All of these
- d) Debentures

18. To be listed on OTCEI, the minimum capital requirement for a company is: [1]

- a) Rs. 3 crores
- b) Rs. 10 crores
- c) Rs. 25 crore
- d) Rs. 5 crores

19. Gross working capital refers to: [1]

- a) Cash in hand
- b) Bank Balances
- c) All of these
- d) Short Term Investments

20. **Statement I:** Typically, financial planning is done for three to five years. [1]

Statement II: Financial planning usually begins with the preparation of a sales forecast.

- a) Statement II is correct and Statement I is not correct.
- b) Both the Statements I and II are not correct.
- c) Statement I is correct and Statement II is not correct.
- d) Both the Statements I and II are correct.

21. A company wants to modify its existing product in the market due to decreasing sales. You can imagine any product about which you are familiar. What decisions/steps should each level of management take to give effect to this decision? [3]

OR

How does management help workers to achieve its personal objectives? State.

22. Explain the role of marketing in a firm. [3]

23. Give the meaning of the following money market instruments [3]

- i. Treasury bill; and

ii. Call money

OR

State any three functions of Stock Exchange.

24. 'Management seeks to achieve certain objectives which must be derived from basic purpose of the business'. In the light of the above statement, explain organisational and social objectives of management. [3]
25. Did customer perspective include goods and services must be made available to the customer at the right place, in right quantity and at the right time. [4]
- i. Name and explain the concerned element of marketing mix.
- ii. Explain the components of this element.

OR

Explain the following functions of marketing:

- i. Product designing and development; and
- ii. Standardisation and Grading
26. Planning reduces creativity. Critically comment. (Hint: both the points - Planning promotes innovative ideas and planning reduces creativity – will be given). [4]

OR

Identify the type of plan, which is usually set by the top management and specifies the end points towards which all business activities are directed. Comment.

27. Explain the role of political environment in shaping the business. [4]
28. There are two managers, Rahul and Pawan. Rahul is saying that 'Controlling is forward looking whereas according to Pankaj 'Controlling is looking back'. Who is correct? Explain why? [4]
29. Explain any two techniques of Taylor's scientific management. [4]
30. Identify and explain the two sources of recruitment which reduce the induction of fresh talent in the organisation and cannot be used to fill all the vacancies. [4]
31. Hurray Ltd. owns an amusement park in Lucknow. Till now the company had been operating on owner's fund. Keeping in view its plan to set up two more amusement parks in the country the company raised debt capital to take advantage of trading on equity. The proportion of debt in the total capital of the company is 30%. The debt has been raised @ 12% whereas the return on investment is 10%. However, even after employing debt the earning per share i.e. EPS of the company is falling. [6]
- In the context of the above case:
- a. Identify and explain the two types of financial decisions taken by the company.
- b. Why do you think that even after employing debt the earning per share i.e. EPS of the company is falling?
- c. State any two factors which favoured the issue of debt by the company.
32. Three friends, Rajat, Raman and Ansh, after completing their MBA from a reputed business school at Mumbai, were discussing about the type of organisation they would like to join. Rajat was very clear that he would like to take up a government job as it gives stability about the future income and work which will help him to work with greater zeal. It will also provide him pension when he will retire from his service. [6]
- Raman wanted to work in a company, which has appropriate skill development plans for its employees and helps the employees to grow to higher levels in the organisation. In addition to this, the company should also provide facilities like housing, medical aid, etc.
- Ansh said that he would prefer to work in an organisation, which has the culture of individual autonomy, is

considerate to employees and provides the employees with opportunity for personal growth and a meaningful work experience.

- a. Identify the various financial and non-financial incentives discussed by the three friends in the above conversation.
- b. Explain three other non-financial incentives which were not discussed by any one of them.

33. **Sweets and More** is one of India's most popular brand for snacks and sweets. It offers a wide range of sweets, namkeens, cookies and frozen foods. [6]

Its organisational structure comprises of separate business units in each of the above categories. Each of these units have a manager responsible for performance, having authority over the unit. Moreover, each of these units is multi-functional as within each unit, different functions like production, marketing, finance, etc. are performed. Though this kind of organisational structure leads to increased cost because of duplication of activities across products, but it provides a proper basis for performance measurement as revenues and costs related to each of these business units can be easily identified.

- a. Identify the organisational structure of **Sweets and More**.
- b. State three advantages and two disadvantages of the organisational structure identified in (a) above which are not discussed in the above case.

34. Explain the rights and responsibilities of consumer? [6]

OR

State any six reliefs available to consumers on the complaint made by them under Consumer Protection Act.

Solution

1. **(a) Personnel**
Explanation:
Personnel
2. **(c) Both in business and non-business field**
Explanation:
Both in the field of business and non-business field
3. **(a) Both A and R are true and R is the correct explanation of A.**
Explanation:
Both A and R are true and R is the correct explanation of A.
4. **(a) Supervision**
Explanation:
The supervisor ensures the performance of work according to the targets set. He takes responsibility for the achievement of tasks and motivates his workers effectively.
5. **(d) Both the statements are true.**
Explanation:
Both the statements are true.
6. **(a) All of these**
Explanation:
Business environment enables the firms to identify opportunities and getting first mover advantage, helps to cope with rapid changes, helps in improving performance.
7. **(a) Personal selling**
Explanation:
Personal selling directly deals with customers.
8. **(a) Taking corrective action**
Explanation:
Taking corrective action
9. **(b) Selection**
Explanation:
Selection process identifies and choose best from all.
10. **(d) Directing ensures that activities are performed as per plans.**
Explanation:
Directing ensures that activities are performed as per plans.
11. **(c) NSCCL**
Explanation:
The clearing and settlement operations of NSE are carried out by NSCCL.

12. **(a)** Customer's satisfaction
Explanation:
Customer's satisfaction is the main focus of marketing.
13. **(b)** Organizational objective
Explanation:
Organizational objective of management.
14. **(d)** only iii
Explanation:
Planning creates rigidity
15. **(a)** Development
Explanation:
Development
16. **(b)** To choose the best investment and financing alternatives by focusing on their costs and benefits.
Explanation:
The main objectives of financial planning is to ascertain the amount of fixed capital as well as the working capital required in a given period, to determine the amount to be raised through various sources using a judicious debt-equity mix and to ensure that the required amount is raised on time at the lowest possible cost.
17. **(c)** All of these
Explanation:
The funds raised through loans or borrowings are known as borrowed funds. Main sources for raising borrowed funds are an issue of debentures, public deposits, loans from commercial banks, etc.
18. **(a)** Rs. 3 crores
Explanation:
The minimum capital requirement for a company to be listed on the OTCEI is Rs 3 crores and the maximum is Rs 50 crores.
19. **(c)** All of these
Explanation:
Gross working capital refers to the total current assets of a company. The current assets of a company are those assets which can be converted into cash within a period of 12 months. They comprise cash in hand and bank balances, accounts receivable, inventory, short-term investments, marketable securities, etc.
20. **(d)** Both the Statements I and II are correct.
Explanation:
Both the Statements I and II are correct.
21. Company wants to modify its existing product Audio/Video players to CD/DVD players. For this purpose management should take the following steps at each level:
- i. At Top Level:
- Formulation of plans and policies of every departments for smooth working.
 - Coordination between various departments for the accomplishment of pre-determined goals successfully and on desirable time.
 - Unity of action I.e change I in We.

- Methods, techniques and Scope of modification if required at any place.
- Analysis of business environment to change its policies time to time.

ii. At Middle Level:

- Proper implementation of plans and policies formulated by top management to lower level management.
- Coordination among the various activities of different departments to achieve the desirable goal.
- Link chain between top and middle level management.

iii. At Lower Level:

- Putting right man on the right job.
- Effective communication with workers.
- Supervision and control.
- Day to day meet with workers.

OR

These objectives are related to satisfying the personal needs of the employees. Management must seek to satisfy the diverse needs of employees in the following manner.

i. **Financial needs:** By giving competitive salary and perks so that he can feel secure and motivated towards work always.

ii. **Social needs:** By peer recognition or by giving them a status so that its colleague gave them respect.

iii. **Higher level needs:** By providing opportunities for personal growth and development so that he can reach the aim of their life what he wants to be.

22. By marketing orientation, the firm tries to focus on the needs and wants of the customers. Every firm wants to live longer and develop. If this happens, the purpose of establishing the firm is fulfilled. Marketing helps in survival and growth of the firm. It includes understanding the economic and competitive features of a sector and identifying target markets too.

23. i. **Treasury bill:** Also known as zero coupon bond, a T-Bill is issued by RBI on behalf of Central Government to meet its short-term requirement of funds and is thus categorised as money market instrument. It is issued in the form of promissory note. They are highly liquid and have negligible risk. They are issued at discount and redeemed at par, e.g. 91 days, treasury bill of face value of Rs1,00,000 is purchased at Rs 96,000 and at the maturity investor gets Rs 1,00,000, Rs 4000 being the interest received by him. The Reserve Bank of India conducts auctions usually every Wednesday to issue T-bills. The rationale is that since their maturity is lower, it is more convenient to avoid intra period interest payments.

ii. **Call money:** Call money is a short-term finance repayable on demand, with a maturity of 1 to 15 days. It is used for inter bank transactions. Banks have to maintain a minimum cash balance known as Cash Reserve Ratio. Call money is a method by which banks borrow from each other to be able to maintain Cash Reserve Ratio. The interest paid on call money loans is called call rate, which is very volatile and changes even from hour to hour.

OR

Three functions of a stock exchange are:

i. **Pricing of securities:** The stock market helps to value the securities on the basis of demand and supply factors. Higher the demand for such securities, higher is their value. The valuation of securities is useful for investors, government and creditors.

ii. **Contributes to economic growth:** In stock exchange, securities of various companies are bought and sold. This process of disinvestment and reinvestment helps to invest in most productive investment proposal and this leads to capital formation and economic growth.

iii. **Spreading of equity cult:** Stock exchange encourages people to invest in ownership securities by regulating new issues, better trading practices and by educating people about investment.

24. Organizational objectives Management is responsible for setting and achieving the organizational objectives. It helps to achieve the objectives in such a manner that the human and financial resources are acquired, used and maintained in the most economical and efficient manner. The managers try to develop all the function of management in such a way that they can reduce the cost & bring maximum prosperity for the organization.

Organisational objectives are as follows:

i. **Survival:** The most important objective of any business is to survive in the competitive market and in order to survive, should earn enough revenue to cover costs.

ii. **Profit:** It is the incentive or reward for the efforts put in by an entrepreneur Moreover, It is the reason behind carrying out business. Every organization is started with an aim of profit maximization because it works as a blood work in our body.

iii. **Growth:** A business needs to add to its prospects in the long-run and for this, It needs to grow and expand its activities. The success of every business is measured by the growth rate and growth is measured in terms of sales, profits, number of products produced and sold, etc.

Social objectives Since, organizations are social units, their objectives should be in line with the general needs of the society. Some of the social objectives of an organization are given below:

- a. Supply of quality products at reasonable prices and at a reachable place.
- b. Using environment-friendly methods of production like don't use plastic bags always use jute bags.
- c. Providing employment opportunities to the disadvantaged sections of the society and also open school, hospitals etc for the welfare of society.
- d. Contribute towards the desirable civic activities.

25. Yes, it is an important for customer point of view.

- Place Mix.
- Right price: Is the price worth to buy the products.
- Right quality: Product quality meets the expectation of the customer in terms of outlook, durability, functionality.
- Right goods and services- Product specification where the products serve the perceived needs and wants.
- Right place: The product must be available to the place where the target customers go for shopping.

OR

i. Product designing and development

- Product designing and development helps to make 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.

ii. Standardisation and Grading

- Standardisation ensures uniformity and consistency in output reducing the need for inspection and testing of the products.

26. Planning is the most challenging function. It encourages the managers to think creatively and out of the box to generate innovative ideas. With the planning, the managers of the organisation start working rigidly and they become the blind followers of the plan only. The managers do not take any initiative to make changes in the plan according to the changes prevailing in the business environment. They stop giving suggestions and new ideas to bring improvement in working because the guidelines for working are given in planning only.

- i. Planning is an activity which is done by the top management. Usually the rest of the members just implement these plans.
- ii. As a consequence, middle management and other decision-makers are neither allowed to deviate from plans nor are they permitted to act on their own.
- iii. Thus, much of the initiative or creativity inherent in them also get lost or reduced. Most of the time, employees do not even attempt to formulate plans they only carry out orders.
- iv. Thus, planning in a way reduces creativity since people tend to think along the same lines as others. There is nothing new or innovative.

OR

Objective is the main plan set by the top level of management :

- (i) Objectives are the main targets, for which all other plans are directed.
 - (ii) Sub plans are made to achieve the desired objectives. Thus, different departments or units in the organisation may have their own objectives. For example, A school has an objective of giving 100 per cent results for which they have made a policy of giving admissions to the students having 60 per cent or above.
 - (iii) Objectives need to be expressed in specific terms i.e., they should be measurable in quantitative terms.
- Thus, they represent the end point of planning. All other managerial activities are also directed towards achieving these objectives.

27. **Business functions within the framework of political environment:** The political environment can impact business organizations in many ways. It could add a risk factor and lead to a major loss. You should understand that the political factors have the power to change results. It can also affect government policies at local to federal level. Companies should be ready to deal with the local and international outcomes of politics. Changes in the government policy make up the political factors. The change can be economic, legal or social. It could also be a mix of these factors. Generally, government's policies change with the change of guard in power. Business is required to understand and follow such changes and also respect the orders that judiciary gives from time to time. For example, after globalization, Government of India allowed many companies to enter the Indian market for giving boost to the different industries like food processing industry etc. That paved the way for entry of multinationals in India on a large scale.

28. Both Rahul and Pawan are partially correct as Controlling is both forward as well as backward looking.

- (i) Controlling as a forward looking function: Controlling is a forward looking function because it helps to analyse deviations and to apply them for future decision making. These deviations helps in planning and to avoid wastage of resources.
- (ii) Controlling as a Backward looking function:

While performing controlling function the manager compares the actual performance with the Past Planned Performance in order to complete and make the planning function successful and achieve the desired results.

29. **Motion Study:** Motion study refers to the study of movements like lifting, putting objects, sitting and changing positions etc., which are undertaken while doing a typical job. Unnecessary movements are sought to be eliminated so that it takes less time to complete the job efficiently. For example, Taylor and his associate Frank Gailberth were able to reduce motions in brick layering from 18 to just 5. Taylor demonstrated that productivity increased to about four times by this process. On close examination of body motions, for example, it is possible to find out: (i) Motions which are productive (ii) Motions which are incidental (e.g., going to stores) (iii) Motions which are unproductive.

Method Study: The objective of method study is to find out one best way of doing the job. There are various methods of doing the job. To determine the best way there are several parameters. Right from procurement of raw materials till the final product is delivered to the customer every activity is part of method study. Taylor devised the concept of assembly line by using method study.

30. Internal sources of recruitment reduce the induction of fresh talent in the organisation and cannot be used to fill all the vacancies.
- 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 overstaffed 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.
 - 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.
31. a. Investment decision and financing decision are the two types of financial decisions taken by the company. These are also known as Capital Budgeting Decisions. A company's assets and resources are rare and must be put to their utmost utilization. A firm should pick where to invest in order to gain the highest conceivable returns. This decision relates to the careful selection of assets in which funds will be invested by the firms. The firm puts its funds in procuring fixed assets and current assets. When choice with respect to a fixed asset is taken it is known as capital budgeting decision. Financial decision is important to make wise decisions about when, where and how should a business acquire fund. Because a firm tends to profit most when the market estimation of an organization's share expands and this is not only a sign of development for the firm but also it boosts investor's wealth. Consequently, this relates to the composition of various securities in the capital structure of the company.
- b. Even after employing debt the earning per share i.e. EPS of the company is falling because one of the necessary conditions for trading on equity i.e. the Return of investment should be higher than a rate of interest is not being satisfied. In the above example ROI is 10% and the rate of interest is 12%.
- c. The two factors which favoured the issue of debt by the company
- Floatation cost:** The money spent by the company on raising capital through debt is less than that spent on equity.
 - Tax rate:** The tax rate is likely to be high which makes debt relatively cheaper as the amount of interest paid on debt is treated as a tax-deductible expense.
32. a. Financial and non-financial incentives discussed by the three friends in the above conversation:
- Financial incentives
 - Retirement benefits
 - Perquisites
 - Non-Financial incentives
 - Job security
 - Career advancement opportunity
 - Organizational climate
 - Status
- b. Other non-financial incentives which were not discussed by any one of them:
- Job enrichment
 - Employee recognition
 - Employee participation
 - Employee empowerment

- Career development opportunities
- Job autonomy

33. (i) Divisional structure :- Many large organisations with diversified activities have re-organised themselves away from the simpler and basic functional structure towards a divisional structure which is more suited to their activities. This is particularly true of those enterprises which have more than one category of products to offer.

(ii) three advantage of divisional structure and two disadvantage of divisional structure are as follows :

advantage

1. Product specialisation: Product specialisation helps in the development of varied skills in a divisional head and this prepares him for higher positions.
2. Greater accountability: Divisional heads are accountable for profits, as revenues and costs related to different departments can be easily identified and assigned to them. This provides a proper basis for performance measurement.
3. Flexibility and initiative: It promotes flexibility and initiative because each division functions as an autonomous unit which leads to faster decision making.

Disadvantage

1. Conflicts: Conflict may arise among different divisions with reference to allocation of funds and further a particular division may seek to maximise its profits at the cost of other divisions.
2. Costly process: It may lead to increase in costs since there may be a duplication of activities across products. Providing each division with separate set of similar functions increases expenditure.

34. The Consumer Protection Act provides six rights to consumers. They are as follows

- Right to Safety:** The consumer has a right to be protected against goods and services which are hazardous to life, e.g., sometimes we purchased the food items of low quality which causes severe problems. Thus, in this case, we should purchased good quality and FPO labelled products.
- Right to be Informed :** The consumer has a right to have complete information about the product, which he intends to buy including its ingredients, date of manufacture, price, quantity, directions for use etc. Under the legal framework of India manufactures have to provide such information on the package and label of the product.
- Right to Choose:** The consumer has the freedom to choose from a variety of products. The marketers should offer a wide variety of products and allow the consumer to make a choice and choose the product which is most suitable. ‘
- Right to be Heard :** The consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or a service. It is because of this reason that many enlightened business firms have set up their own consumer service and grievance cells.
- Right to Seek Redressal:** The Consumer Protection Act provides a number of reliefs to the consumer including replacement of the product, removal of defect in the product, compensation paid for any loss or injury suffered by the consumer etc.
- Right to Consumer Education** The right of every Indian citizen to have education on matters regarding consumer protection as well as about her/his right is regarded as the last right provided by the Consumer Protection Act 1986. The right makes sure that the consumers in the country have informational programs and materials which are easily accessible and would enable them to make purchasing decisions which are better than before. Consumer education might refer to formal education through college and school curriculum as well as consumer awareness campaigns being run by non-governmental and governmental agencies both. Consumer NGOs, having little endorsement from the government of India, basically undertake the task of ensuring the consumer right throughout the country. India is found to be 20 years away from giving this right that gives power to the common consumer.

Consumer Responsibilities

A consumer must be aware about these responsibilities while purchasing, using and consuming goods and services

- i. Consumer must be aware of all their rights.
- ii. Consumer must be careful while purchasing a product.
- iii. He should file complaint for the redressal of genuine grievances.
- iv. Consumer must buy a standardised good.
- v. He should ask for a cash-memo on purchase of goods and services
- vi. Consumer should have the Responsibility to Respect the Environment and avoid waste, littering and contribution to pollution

OR

Under this Act, remedies available to consumers are as follows:

- i. **Removal of Defects:** If after proper testing the product proves to be defective then the ‘remove its defects’ order can be passed by concerned authority.

- ii. **Replacement of Goods:** Orders can be passed to replace the defective product by new non defective product of the same type by any of the consumer courts or sometimes consumer grievances redressal cell of the seller.
- iii. **Refund of Price:** Orders can be passed to refund the price paid by the complaint for the product.
- iv. **Award of Compensation:** If because of the negligence of the seller a consumer suffers physical or any other loss, then compensation for that loss can be demanded for. If sellers ignores it for the same than consumer can file a case against the seller in special courts for consumers who buy or avail services. Consumer forums works under/as per Consumer Protection Act 1986 (CPA 1986). As per this act there are three commissions available for filing the suit against a seller named as District commission, state commission or national commission and at last supreme court as per the claim amount.
- v. **Removal of Deficiency in Service:** If there is any deficiency in delivery of service then orders can be passed to remove that deficiency. For instance, if an insurance company makes unnecessary delay in giving final touch to the claim, then under this Act orders can be passed to immediately finalise the claim.
- vi. **Discontinuance of Unfair/Restrictive Trade Practice:** If complaint is filed against unfair/ restrictive trade practice then under the Act that practice can be banned with immediate effect. For instance, if any gas company makes it compulsory for a consumer to buy gas stove with the gas connection then this type of restrictive trade practice can be checked with immediate effect.