

# Class XII Session 2025-26

## Subject - Business Studies

### Sample Question Paper - 1

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. In a company, the marketing departments objective is to increase sales by 10 per cent by offering discounts. But, the finance department does not approve of such discounts as it means loss of revenue. These kinds of conflict arise in organisations because of the lack of one of the concepts of management. Identify the concept highlighted above. [1]  

a) Directing	b) Coordination
c) Organising	d) Management
  2. One of the techniques given by F.W. Taylor violates a principle given by Henry Fayol. Identify the technique. [1]  

a) Functional foremanship	b) Time study
c) Differential piece wage system	d) Method study
  3. **Assertion (A):** All the needs of individuals are not satisfied by money alone. [1]  
**Reason (R):** Psychological, social and emotional factors also play important role in providing motivation.  

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. **Statement I:** Taylor wanted to differentiate between efficient and inefficient workers. [1]  
**Statement II:** Taylor called for complete mental revolution on the part of both management and workers.  

a) Statement II is correct and Statement I is not correct.	b) Statement I is correct and Statement II is not correct.
c) Both the Statements I and II are not correct.	d) Both the Statements I and II are correct.
  5. Which of the following is not a type of psychological barrier? [1]  

a) Lack of attention	b) Distrust
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14. Why does planning as the basis of success is like a leap in the dark? [1]
- i. Does not work in a dynamic environment
  - ii. Reduces morality
  - iii. Creates Rigidity
  - iv. Planning is a mental exercise
- a) ii and iii
  - b) Only i
  - c) iii and iv
  - d) iv and i
15. \_\_\_\_\_ is the management function to fill the role designed into the organisation structure. [1]
- a) Organising
  - b) Staffing
  - c) Directing
  - d) Planning
16. Which factor affects the financing decisions? [1]
- a) Stock market reaction
  - b) Stability of Dividends
  - c) Fixed Operating Costs
  - d) Shareholder's preference
17. Companies with a higher growth pattern are likely to: [1]
- a) pay higher dividends
  - b) pay lower dividends
  - c) dividends are not affected by growth considerations
  - d) dividends are less affected by growth considerations
18. \_\_\_\_\_ has been established with the specific objective of providing a ready market for money market instruments. [1]
- a) Securities and Exchange Board of India
  - b) State Bank of India
  - c) Reserve Bank of India
  - d) Discount Finance House of India
19. Which of the following is not concerned with Long-term Investment decision? [1]
- a) Launching a new product line
  - b) Day to day working
  - c) Purchase of fixed asset
  - d) Advertisement campaign
20. **Statement I:** Investment decision is concerned with the decisions about how much to be raised from which source. [1]
- Statement II:** Financing decision determines the overall cost of capital and the financial risk of the enterprise.
- a) Statement II is correct and Statement I is not correct.
  - b) Both the Statements I and II are correct.
  - c) Both the Statements I and II are not correct.
  - d) Statement I is correct and Statement II is not 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
- Explain the features of management that do not establish it as a profession.
22. Differentiate between marketing concept philosophy and 'production concept philosophy on the basis of : [3]

- i. Meaning
- ii. Main focus
- iii. Means

23. Give one regulatory function of SEBI. [3]

OR

How do debt and equity differ in their costs and risks involved? Explain.

24. The main objective of any organisation should be to utilise human and material resources to the maximum possible advantage, i.e., to fulfill the economic objectives of a business. Explain the statement. [3]

25. List the pillars of marketing concept. [4]

OR

What is meant by **Branding**? State any three advantages of branding to customers.

26. Can planning work in a changing environment? Give a reason to justify your answer. [4]

OR

What do you mean by planning premises?

27. 'Equal pay for equal work for male and female workers' refers to an example of a key component of the social environment of business. Name and explain the component. [4]

28. Taking corrective/remedial action is the last step in the process of one of the functions of management, (a) Name the function; (b) Explain the other steps of the above mentioned function. [4]

29. Explain the 'Remuneration of employees' principle of management. [4]

30. Describe why staffing is taken as a part of human resource management? [4]

31. Wooden Peripheral Pvt. Ltd. is counted among the top furniture companies in Delhi. It is known for offering innovative designs and high-quality furniture at affordable prices. The company deals in a wide product range of home and office furniture through its eight showrooms in Delhi. The company is now planning to open five new showrooms each in Mumbai and Bangalore. In Bangalore, it intends to take the space for the showrooms on lease whereas, for opening showrooms in Mumbai, it has collaborated with a popular home furnishing brand, 'Creations.'

a. Identify the factors mentioned in the paragraph which are likely to affect the fixed capital requirements of the business for opening new showrooms both in Bangalore and Mumbai separately.

b. "With an increase in the investment in fixed assets, there is a commensurate increase in the working capital requirement." Explain the statement with reference to the case above.

32. Identify and explain the following elements of directing function of management: [6]

i. Mr. Parveen sharma, a manager explains a worker about operations to be carried out by him on a hi-tech machine.

ii. Mr. Rajesh Talwar, a mining engineer explains about safety precautions to be followed while working in a coal mine.

iii. Mr. Vijay kumar, a managing director declares share in the profits to the managers for their contribution to enhance profits of the company.

iv. Mr. Rakesh Arora, a manager inspires his employees by playing a lead role in performing a work.

33. Voltage fluctuations have been common and quite high in India. They harm our electrical appliances like televisions, refrigerators and air conditioners, often leaving them in a permanently damaged condition. N-Guard Company decided to manufacture stabilizers for North India where the voltage fluctuation ranges from 220 V to 230 V. Once the demand for North India was taken care of, they decided to launch stabilizers of varying voltages [6]

from 90 V - 260 V for meeting the requirements of voltage fluctuations in other regions of India also. Three engineers were appointed for South, West and East regions of India, as the voltage was different in all the three regions. Though all the engineers were appointed to manufacture stabilizers but the product differed from region to region.

a. Identify the organisational structure of N-Guard Company.

b. State any two advantages and two limitations of the structure identified in the above para.

34. State any five responsibilities of a consumer as per the Consumer Protection Act, 2019.

[6]

OR

Explain the importance of consumer protection from the point of view of a business.

# Solution

1.  
**(b) Coordination**  
**Explanation:**  
Coordination
2. **(a) Functional foremanship**  
**Explanation:**  
Functional foremanship violates principle of unity of command because there are eight bosses in functional foremanship, whereas unity of command focusses on single boss.
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.  
**(d) Both the Statements I and II are correct.**  
**Explanation:**  
Both the Statements I and II are correct.
5.  
**(c) Fear of challenge to authority**  
**Explanation:**  
Fear of challenges to authority is a type of personal barrier.
6.  
**(b) Employees**  
**Explanation:**  
Employees are an integral part of the business. Specific and general forces, Uncertainty, Relativity, and Complexity are the main features of the business environment.
7.  
**(b) Transportation**  
**Explanation:**  
A marketing firm has to analyse its transportation needs after taking into consideration various factors such as nature of the product, cost and location of target market and take decisions in respect of mode of transportation to be chosen and other related aspects.
8. **(a) Setting performance standards**  
**Explanation:**  
The first step in controlling the process is setting performance standards.
9.  
**(d) Training and Development**  
**Explanation:**  
Training and Development
10.  
**(b) only ii**  
**Explanation:**

Friendly relationship is an advantage of informal communication as it takes place without following the formal lines of communication.

11.  
**(c)** Provides liquidity and marketability to new securities  
**Explanation:**  
Provides liquidity and marketability to new securities
12.  
**(c)** Grading  
**Explanation:**  
Grading
13.  
**(c)** Option (iv)  
**Explanation:**  
Every manager tries to coordinate the activities of organisation to avoid confusion and chaos. Without coordination efforts of individuals cannot be united and integrated; that is why while performing various activities in the organisation managers deliberately perform coordination function.
14.  
**(b)** Only i  
**Explanation:**  
Planning may not work in a dynamic environment.
15.  
**(b)** Staffing  
**Explanation:**  
Staffing
16.  
**(c)** Fixed Operating Costs  
**Explanation:**  
If a business has high fixed operating costs (e.g., building rent, Insurance premium, Salaries, etc.), It must reduce fixed financing costs. Hence, lower debt financing is better. Similarly, if the fixed operating cost is less, more of debt financing may be preferred. Hence, fixed operating costs influence Financing decisions.
17.  
**(b)** pay lower dividends  
**Explanation:**  
Companies with higher growth opportunities tend to retain more money out of their earnings so as to finance the required investments. Therefore, higher growth prospects result in lower dividend payment.
18.  
**(d)** Discount Finance House of India  
**Explanation:**  
Discount Finance House of India
19.  
**(b)** Day to day working  
**Explanation:**

Investment decision relates to how the firm's funds are invested in different assets. The firm invests its funds in acquiring fixed assets as well as current assets. When decisions are taken regarding fixed assets then it is called capital budgeting decisions.

20. (a) Statement II is correct and Statement I is not correct.

**Explanation:**

Statement II is correct and Statement I is not 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

No, management is not a full-fledged profession like legal and medical profession because of the following reasons

**Restricted Entry:** Entry to a profession is restricted. People can get an entry in a profession only through a professional educational degree or through an examination. But management does not provide the practice of principles of management. For example, the son of a businessman is a born manager so he has a degree or not but he will be a chief manager of all graduates of management.

**Professional Association:** Professional associations are established to provide entry into a profession. All professions are associated with these professional associations because only these organizations regulate entry to a profession. Legally it is not compulsory for all managers to get registered with the AIMA (All India Management Association)

**The ethical code of conduct:** Legal and medical professions are bound by a code of conduct, which guides the behavior of its members AIMA has devised a code of conduct for Indian managers but there Is no statutory backing for this code because AIMA is not getting power like AIMS or other professional associations.

**Service Motive:** The main purpose of any profession is to serve clients with dedication. For example, it is the task of a lawyer that his client gets justice. But all business organizations keep eye on profit maximization but to survive in the market for a long period of time an organization has to give much importance to social objective along with profit maximization.

22. Basis	Marketing Concept	Production Concept
<b>Meaning</b>	It emphasises that in the long-run, projects can be maximized by satisfying present and future needs of customers,	It emphasises that profits can be producing at a maximised by large scale, thereby minimising the cost of production.
<b>Main focus</b>	customer needs and wants, the utmost priority.	Availability and affordability of the product, dependency on customer income and supply.
<b>Means</b>	integrated marketing, an approach to creating a unified and seamless experience for consumers to interact with the brand/enterprise	The quantity of the product.

23. SEBI has framed rules and regulations and a code of conduct to regulate the intermediaries such as merchant bankers, brokers, underwriters, etc.

OR

Debt and Equity differ in their costs and risks involved:

**Cost**

- The cost of debt is lower than the cost of equity for a firm because the lender requires a lower rate of return as his risk is lower than the equity shareholder.

**Risk**

- Debt is more risky for a business because the payment of interest and the return of principal amount are obligatory for the business which increases the financial risk of a company whereas there is no such compulsion in case of equity, making it riskless for the company.

24. Management is responsible for setting and achieving objectives for the organisation. Management is accountable for establishing and attaining objectives for the company. It has to deliver a variety of objectives in all operations contemplating the interest of all shareholders including, stakeholders, consumers, the government and employees. These are survival, profit and growth.

- **Survival-** Management must strive to earn enough revenues to cover cost for the survival of the business.
- **Profit-** Management has to ensure that business earns profit which is essential for covering cost and risk of the business.
- **Growth-** Management must exploit fully the growth potential of the organization to remain in the industry. Indicators of growth are increase in sales turnover, capital investment and number of products and employees.

25. The pillars of the marketing concept are:

1. Target Market : Identification of market or customers who are chosen as the target of marketing efforts
2. Customer Needs : Understanding needs and wants of customers in the target markets;
3. Development of products or services for satisfying needs of the target market;
4. Satisfying needs of targets market better than the competitors.
5. Doing all this at a profit.

OR

Branding is the process of giving a name, or a sign or a symbol to a product which helps in identifying and distinguishing it from the competitors' product.

**The Advantages of branding to customers:**

- i. Branding Boosts Awareness and Loyalty
- ii. Branding ensures Protection From Competition
- iii. Branding Builds Recognition and Loyalty

26. A business organisation survives within a business environment and factors of business environment keeps on changing. The rapidly changing situations present a serious difficulty in the task of planning. Factors like government policies, taste and preference of consumer, competitor policies, technological advancement etc keeps on changing. Since plans are rigid so there is no scope for any changes to be made in them. Plans which are made according to one specific situation may not work when the situation changes. Also, future anticipations made by the managers are not always true. Therefore, it can be said that planning does not work in the dynamic environment.

OR

- While making plans every manager has to make certain assumptions related to the future. These assumptions are known as premises.
- Planning premises are assumptions relating to future conditions and events which are likely to have an effect on the achievement of organizational goals.
- These are the bases upon which the entire structure of planning is built.
- Every plan is drawn with certain assumptions. To make planning effective, it is necessary that the premises should be based on accurate forecasts..
- For example, demand for a product, the cost of raw materials, interest rates, state of technology, the intensity of competition, government policies etc.

27. **Social Environment.**

- i. The social environment of a business refers to the broad characteristics of the society in which a business enterprise operates.
- ii. The social environment of business includes social forces like customs and traditions, values, social trends, society's expectations from business, etc. Social values and attitudes are changing very fast. For example, Indian women are increasingly engaging themselves in business, profession, and employment.
- iii. For example, the celebration of Diwali, Id, Christmas, and Guru Parv in India provides significant financial opportunities for greetings card companies, sweets or confectionery manufacturers, tailoring outlets and many other related businesses.
- iv. For example, health awareness among indians has created demand for ayurveda and yoga products. Thereby the rapid rise of indigenous company Patanjli Ayurveda Ltd.

28. (a) Controlling.
- (b) **The other steps of controlling are:**
- Setting performance standards: Making plans in quantitative or qualitative forms.
  - Measurement of actual performance: Seeing the present or current performance.
  - Comparing actual performance with standards.
  - Analysing deviations: Whether positive or negative.
29. (i) The overall pay and compensation should be fair to both employees and the organisation.
- (ii) The employees should be paid fair wages, which should give them at least a reasonable standard of living.
- (iii) At the same time it should be within the paying capacity of the company. In other words, remuneration should be just and equitable.
- (iv) This will ensure congenial atmosphere and good relations between workers and management. Consequently, the working of the company would be smooth.
30. Staffing is the most important part of Human resources management as it develops manager and human element of enterprise consider their knowledge, skill, talent. It function within the scope of human resources department. Human resource management is that part of general management which is specifically concerned with the human resources in an organisation. Without human resources, non-human resources {e.g., materials, machines, money} remain idle. To activate non-human resources, the use of human resources is essential. Human resource management may be defined as the art of procuring, developing and maintaining competent workforce to achieve organisational goals efficiently. Human resource management aims at relating the people at work with the activities necessary to achieve the organisational goals.
31. a. Fixed capital includes the assets and capital investments—such as property, plant, and equipment (PP&E)—that are needed to start up and conduct business, even at a minimal stage. These assets are considered fixed in that they are not consumed or destroyed during the actual production of a good or service but have a reusable value. Fixed-capital investments are typically depreciated on the company's accounting statements over a long period of time—up to 20 years or more. The fixed capital requirements of Wooden Peripheral Pvt. Ltd. for opening new showrooms in Bangalore will be relatively less as its taking space on the lease, so only rentals have to be paid.
- Similarly, its fixed capital requirement for opening showrooms in Mumbai will be reduced as it's going to share the costs with another company through collaboration.
- b. It's true that "With an increase in the investment in fixed assets, there is a commensurate increase in the working capital requirement." Like in the above case, Wooden Peripheral Pvt. Ltd. is planning to invest in new showrooms. Consequently, its requirement of working capital will increase as it will need more money to stock goods, pay electricity bills and salaries to staff. Also, it intends to take the space for the showrooms in Mumbai on the lease so it will have to pay rentals.
32. i. **Supervision** means instructing, observing, monitoring and guiding the efforts of the subordinates for the achievement of work targets in the desired manner. Managers act as supervisors and they ensure that the work is going as per their instructions. It is the duty of a supervisor to make sure that all instructions are properly followed and the subordinates are doing as they are instructed.
- ii. **Communication** is the process of exchange of ideas and information among people to create common understanding. The purpose of communication in an organisation is to send across any set of instructions, orders or information related to the improvement of the operational efficiency.
- iii. **Motivation** means stimulating people to action to accomplish desired goals. For getting the desired outcome, the employees need to be motivated by the managers which leads to the task being completed efficiently. Motivation is a force that makes an individual perform to the best of his abilities in order to complete a set of tasks or instructions.
- iv. **Leadership** is the art or process of influencing people so that they strive willingly and enthusiastically towards the achievement of group goals. Leadership is that element of directing that involves motivation and persuasion in order to achieve the desired goals. A leader is defined as a person who is able to influence other people and inspires them to follow the instructions provided.
33. a. The divisional structure is followed by the N-Guard Company. N-Guard Company decided to appoint different engineers for all the regions. Though all the engineers were appointed to manufacture stabilizers the product differed from region to region. In the divisional structure activities are grouped on the basis of products or services offered by the business.
- b. The advantages of a divisional structure are:
- i) **Managerial efficiency:** A divisional structure provides numerous opportunities for the development of skills and knowledge of the managers. The head of each division gains experience as he or she deals with a variety of functions simultaneously. This enables the division head to grow professionally and improve proficiency.
  - ii) **Measurement of performance:** In a divisional structure, the performance of each of the divisions are judged on the basis

of its profit and loss during a particular period. This type of assessment of performance is easier and helps in taking appropriate and timely corrective action in case of poor performance.

The limitations of a divisional structure are:

- i) **Departmental conflicts:** Sometimes conflicts may arise among different divisions with regard to various decisions and actions of the organization such as those relating to the allocation of funds and resources.
- ii) **Increase in cost:** As there exists a similar functional structure under each division, the same set of functions are performed under each department. Thus, there is a high probability of overlapping activities, which results in a rise in cost for the organization.

34. Consumer protection is the practice of securing buyers of goods and services, and the public, against illegal practices in the business. Consumer protection measures are frequently established by law. A consumer should keep in mind the following responsibilities while purchasing, using and consuming goods and services.

- i. Be aware about various goods and services available in the market so that an intelligent and wise choice can be made.
- ii. Buy only standardised goods as they provide quality assurance. For example, purchase electrical goods with ISI mark, food products with FPO mark, jewellery with hallmark, etc
- iii. Learn about the risks associated with products and services, follow manufacturer's instructions and use the products safely.
- iv. Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc.
- v. Ask for a cash memo on purchase of goods or services. This would serve as a proof of the purchase made.

OR

The consumer is a king in the market. So, there is a need for consumer protection. Hence consumer protection refers to consumer education regarding their rights and responsibilities and the redressal of their grievances and complaints. Consumer protection is important not just for consumers but also for business. The following points highlight the significance of consumer protection from the point of view of the business.

- i. Long-Term Interest: With increasing competition and the drive to survive in the market, consumer satisfaction and interest are of prime importance for any business. While taking due care of the interest of the consumers, a business builds goodwill and reputation. A satisfied customer not only comes back and results in repeated sales for the firm, but also pulls new customers by spreading the good word. Thus, it is in the long-term benefit of the business to protect consumers' interest.
- ii. Use of Resources: A business uses the resources of society for the production of various goods and services. Through the sale of these goods and services to society, a business earns profits. Thus, it is their duty to supply such goods and services that adhere to the overall interest of society.
- iii. Ethical Reasoning: Today moral values and ethics play an important role in business. It is the moral duty of every business to protect the interests of its customers. They must follow ethical and moral values and avoid any form of exploitation of the consumers such as unfair trade practices, adulteration, etc.
- iv. Responsibility towards Society: As the business earns profits by selling various goods and services to consumers, it becomes their responsibility to take care of the interests and satisfaction of the consumers by providing quality goods at a reasonable price. Consumer protection guides businessmen to provide social responsibilities.
- v. Government Interference: A business organisation that indulges in any form of exploitation of consumers such as unfair trade practices, adulteration, etc. draws intervention from the government. Such government interference spoils the goodwill and image of the business. Thus, it is in the interest of the business to voluntarily follow such practices that take care of the interest of the consumers.
- vi. The consumer is the purpose of business: The basic purpose of business is to have maximum customers and this is possible only by satisfying the customers and protecting the interest of consumers.