

Class: XII
SESSION : 2022-2023
SUBJECT: BUSINESS STUDIES
SAMPLE QUESTION PAPER - 2
with SOLUTION

MM – 80

TIME: 3 HOURS

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. _____ refers to the products immediate container. [1]
 - a) None of these
 - b) Primary Package
 - c) Secondary package
 - d) Transportation package
2. Management is: [1]
 - a) A science
 - b) None of these
 - c) Both art and science
 - d) An art
3. _____ are the anticipated environments in which plans are expected to operate. [1]
 - a) Objectives
 - b) None of these
 - c) Forecasting
 - d) Planning Premises
4. _____ is an example of the unfair trade practice. [1]
 - a) Not observing prescribed standards
 - b) Hoarding
 - c) Issuing a gift scheme
 - d) All of these
5. Which factor affects Capital Budgeting decision? [1]
 - a) Cash flow position of the company
 - b) The rate of return
 - c) Fixed operating costs
 - d) Floatation costs
6. Call money is used to: [1]
 - i. maintain a minimum cash balance known as a cash reserve ratio
 - ii. to meet floatation cost
 - iii. to meet working capital needs

iv. to meet fixed capital needs

a) ii and iii

b) only i

c) iv and i

d) iii and iv

7. This is one of the features of standards. Identify it. [1]

a) Unbending

b) Flexible

c) Static

d) Rigid

8. Staffing is a process which involves a series of steps. Arrange the followings steps in correct order: [1]

i. Placement and Orientation

ii. Recruitment

iii. Selection

iv. Estimating manpower requirement

a) (ii), (iv), (iii), (i)

b) (iv), (ii), (iii), (i)

c) (iv), (iii), (ii), (i)

d) (i), (ii), (iii), (iv)

9. Under what function of management the relationship between different posts (positions) is explained? [1]

a) Organising

b) Communication

c) Supervision

d) Planning

10. Which of the following statements is false regarding financial management? [1]

i. Money required for carrying out business activities is called business finance.

ii. For optimal procurement, different available sources of finance are identified and compared in terms of their costs and associated risks.

iii. The objective of financial management is to minimise the current price of equity shares.

iv. All of the above.

a) Option (i)

b) Option (iv)

c) Option (iii)

d) Option (ii)

11. Which branch of management does take care of the efficient planning and controlling of the financial activities of an organisation? [1]

a) Personnel management

b) Marketing management

c) Financial management

d) Production management

12. According to Henri Fayol, if this principle of general management is violated, authority is undermined, discipline is in jeopardy, order disturbed and stability threatened. The principle is: [1]

- a) Authority and responsibility b) Discipline
c) Unity of command d) Equity
13. Dinesh has 100 equity shares of a company. He wants to sell 500 of these shares. Which market should be the approach? **[1]**
a) Financial market b) Secondary market
c) Money market d) Primary market
14. Ketan Enterprises adopts different ways to provide training to employees, like Job. Rotation, Coaching, Vestibule Training, Conference, Lecture Method, and Role Playing. Identify the type of plan being described in the above lines. **[1]**
a) Strategy b) Method
c) Programme d) Procedure
15. Educating the investor is the _____ function of SEBI. **[1]**
a) Both protective and regulatory b) Regulatory
c) Protective d) Developmental
16. Purchasing a new machine to replace an existing one is an example of: **[1]**
a) Financing decision b) Working capital decision
c) Capital budgeting decision d) Dividend decision
17. Why is management also considered as a profession? **[1]**
a) Membership of Professional Association is compulsory b) Well-defined body of knowledge
c) Entry to profession is restricted d) Professions are bound by code of conduct
18. Gross working capital refers to: **[1]**
a) Cash in hand b) Short Term Investments
c) Bank Balances d) All of these
19. Planning is an activity that usually lowers down middle-level management: **[1]**
a) Worth b) Creativity
c) Significance d) Salary
20. State any three organisational objectives of management. **[3]**
21. Controlling is necessary for _____. **[1]**

a) Large Scale Enterprise

b) Medium Level Enterprise

c) All of these

d) Small Scale Enterprise

22. After completing his bachelor's in computer science, Abhijeet joined an IT consultancy firm. He observed there that the senior management more often communicated failures than successes. They rarely shared any good news related to the growth of the firm or give any recognition to its employees for their extraordinary contributions towards the firm. As a result, Abhijeet never felt encouraged enough to work up to his full potential and started exploring other avenues for employment. [3]

In context of the above case:

- a. Identify and explain the element of directing in the absence of which the employees don't feel encouraged to work.
- b. State the importance of this element as identified in part (a) by giving any two suitable points.

23. Suman wanted to purchase a sandwich toaster. She checked about the various sandwich toasters available online and compared the prices so that an intelligent and wise choice could be made. Then she went to a nearby market to buy the sandwich toaster. Being an informed consumer, she looked for the correct standardization mark. The shopkeeper showed her different toasters but was quoting a higher price than the price she had checked online. After negotiating with the shopkeeper, she was able to bring the price down. As a responsible consumer, she asked for a cash memo, against the amount paid for the product and took the toaster home. On opening the package, she found an instruction booklet, which she read carefully. Then she followed all instructions step-by-step and made nicely toasted paneer sandwiches for her family. [3]

- i. State any two responsibilities, which have been discharged by Suman, besides asking for a cash memo.
- ii. Explain the two rights being discussed in the above case.

OR

Gaurav is fond of packaged food drinks such as CocaCola, Pepsi, etc. One day he finds impurities in a bottle of Coca Cola that he bought by paying the required price. He consults his friend Nitin who advises Gaurav to file a case in consumer court. Gaurav files a case against the manufacturer, its bottler and distributor.

- i. Under which Act, Gaurav is entitled to file the case?
- ii. Suggest Gaurav the appropriate authority to file his complaint.
- iii. What relief can be sought by Gaurav?

24. After pursuing a course in event management, Kajal and her brother Kamal promoted an event management company under the name Khushi Entertainment Private Limited. They strive together as dedicated and dynamic professionals managing different kinds of formal and informal events across all major cities in India and abroad. They design the event idea and coordinate the different aspects of the event to make it a grand success. As a policy, they take fifty percent of the payment as advance from the client before the start of an event and receive the [3]

balance charges after the successful completion of the event.

In the context of the above case:

- a. Comment upon the working capital needs of the company keeping in mind the nature of the business.
- b. Identify the other factor mentioned in the paragraph which is likely to affect the working capital requirement of their business.

OR

State the two important objectives of financial planning.

25. 'Planning is the basic function of management'. Comment. [4]

OR

Give the meaning of 'objectives' and 'budget' as types of plans.

26. 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]

OR

Love and Kush are two friends. Both are MBA (Final year) students. One day, their professor called them to class stage for a surprise test. He told that one of them will establish relationship between any two functions of management. Then, the other one, will establish reverse relationship between the same two functions. Both will have to give justification for the relationship explained by them. It was a test carrying 50 marks. Both the students were intelligent and skillful. Love was the first to speak.

Love said that in his opinion of the two functions of management selected by him one is always looking ahead (future) and the other is looking back (past).

No sooner did love express his opinion, than Kush identified the functions selected by him (Love). In his reply, Kush said that the one function stated by Love to have been looking ahead was in his opinion, looking back and the other one stated by in (Love) to have been looking back was looking ahead.

- a. Identify the functions of the management discussed in the above paragraph.
- b. Justify the contrary relations of management functions as viewed by Love and Kush.

27. Mohan and Sohan are friends working in Surya Limited as Production and Sales Manager respectively. In an interdepartmental meeting, Sohan informed Mohan about a change in the marketing policy of the company. [4]

- a. Identify the type of communication used in the above example.
- b. Name and explain any two networks of the type of communication identified in part (a).

28. There are about 100 people working in **Neerja Papad Udyog Private Limited**. There has been going on a dispute between the management and workers over the division of profit. Recently Mrs Gurpreet Kaur has taken over the charge as the managing director of the company. Soon after taking over the charge she made a deep study of the present status of the company. She held a number of meetings of all the employees, each after a little interval. In the meetings she advised the employees, We should run after not the profit but production. Management and [4]

employees are the two wheels of the carriage of organisations. This carriage will run effectively and efficiently only when both the wheels work properly. We both compliment each other or we both are in need of each other. The organisation will grow and its goodwill in the market will increase only when we both are happy. She also assured the workers that all of them would get as much remuneration as is necessary to maintain a reasonable standard of living. Besides, she also added that a fixed percentage of the company's profits would be divided with the workers. What Mrs. Kaur said had a favourable impact on the employees. The company's problem which had continued since long disappeared or was resolved in on time. Identify and explain the concepts of Fayol and Taylor described in the paragraph above by quoting the relevant lines.

29. Vinay, a class XII student, was in need of a ball-pen. He went to the nearest stationery shop. The shopkeeper showed him a wide variety of ball-pens having different prices. He selected a pen and paid ₹150, the maximum retail price, and took the cash memo for the same. Vinay felt dissatisfied on using the pen as its performance doesn't match his expectations. [4]
 - a. Identify the right exercised by Vinay in the above case.
 - b. Identify the right that empowers a consumer to file a complaint and to be heard in case of dissatisfaction with a good or service.
30. Enumerate any one objective of setting up of SEBI. [4]
31. Identify the Dimension of Business Environment relating to the statements given below: [6]
 - i. The increasing interest of the urban people in health and fitness.
 - ii. With the increase in the income of the people the increase in their demand of certain commodities.
 - iii. Discrimination in the remunerations of men and women doing the similar type of work.
 - iv. Opposition of certain political parties to the Foreign Direct Investment in Organised Retailing.
 - v. The Adverse impact on the Cotton Cloth Industry with the coming up of the clothes made of synthetic thread in the market.
 - vi. Ban imposed by the Government on the sale of a product in vogue on account of the failure of its samples.

OR

India's craft heritage is surviving because of its customs and traditions. Craft products made by craftsmen of Rajasthan, Gujarat, Assam, etc. are not only used in the country but are also exported to the USA, Germany, UK, France and other countries of the world. The volume of exports of these products gives India an advantage in the balance of payments and the much needed foreign exchange. The Prime Minister desires that the handicraft industry should be expanded by linking it with technology. The focus should be on changing the manufacturing process, ensuring durability and adopting innovations. Quoting the lines from the above paragraph, explain any four dimensions of the business environment.

32. Ashish, the Marketing Head, Raman, the Assistant Manager, and Jyoti, the Human [6]

Resource Manager of Senor Enterprises Ltd. decided to leave the company. The Chief Executive Officer of the company called Jyoti, the Human Resource Manager and requested her to fill up the vacancies before leaving the organization. Informing that her subordinate Miss Alka Pandit was very competent and trustworthy, Jyoti suggested that if she could be moved up in the hierarchy, she would do the needful. The Chief Executive Officer agrees for the same. Miss Alka Pandit contacted Keith Recruiters who advertised for the post of marketing head for Senor Enterprises Ltd. They were able to recruit a suitable candidate for the company. Raman's vacancy was filled up by screening the database of unsolicited applications lying in the office.

- i. Name the internal/external sources of recruitment used by Senor Enterprises Ltd. to fill up the above-stated vacancies.
- ii. Also, state any one merit of each of the above-identified sources of recruitment.

OR

State the steps in the selection procedure after the employment interview and before the job offer.

33. E-Solutions Ltd. started its operations in the year 2000. At the time of its inception, the company had only ten employees with two departments, a Production Department, and an Administration department. The products supplied and the services provided by the company started gaining popularity over the years. The management had faith in the abilities of the employees and thus they allowed them freedom of action. The management recognized that the decision-makers at different levels of the organization need to be given more autonomy. They took a policy decision that there will be less control of superiors over subordinates. This increased the role of the subordinates in the organization and now they were in a position to take numerous as well as important decisions. As a result, its business has diversified into many areas. Presently, it has its operations throughout the country with seven branches overseas. Its organizational structure has now changed into a divisional structure and ten thousand people are working with the company. [6]
 - a. Identify the concept of management which helped the company to diversify into many areas and branches abroad.
 - b. Explain five points of importance of the concept identified in (a) above.
34. Hayaram is a famous chain selling a large variety of products in the Indian market. Their products include chips, biscuits, sweets and squashes. It charges a comparatively higher price than its competitors as it sells quality products. Besides, it offers regular discounts to its customers and easy credit terms to its retailers. It has five of its own retail shops. It also sells its products through various grocery stores so that the products are made available to customers at the right place, in the right quantity and at the right time, it regularly uses different communication tools to increase its sales. The above para describes the combination of variables used by Hayaram to prepare its market offering. Identify and explain the variables. [6]

SOLUTION

1. **(b) Primary Package**

Explanation: Primary packaging is the term used to designate the layer of packaging in immediate contact with the product; in other words, it is the first packaging layer in which the product is contained.

2. **(c) Both art and science**

Explanation: Management is both art and science because as a science there are several reasons: it has universally accepted principles, it has a cause and effect relationship, etc, and as an art, it requires perfection through practice, practical knowledge, etc.

3. **(d) Planning Premises**

Explanation: Premises include actual forecast data, policies and plans of the enterprise. Planning involves looking into the future which necessitates the enterprise to know how future conditions will affect its activities,

4. **(d) All of these**

Explanation: All of these are unfair trade practices.

5. **(b) The rate of return**

Explanation: The most important criterion affecting capital budgeting decision is the rate of return of the project. These calculations are based on the expected returns from each proposal and the assessment of the risk involved.

6. **(b) only i**

Explanation: Maintain a minimum cash balance known as a cash reserve ratio. RBI changes the CRR of India from time to time basis.

7. **(b) Flexible**

Explanation: It is important that standards should be flexible enough to be modified whenever required.

8. **(b) (iv), (ii), (iii), (i)**

Explanation: The staffing process is a systematic attempt to implement the human resource plan by recruiting, evaluating and selecting qualified candidates for the job-positions in the organisation.

9. **(a) Organising**

Explanation: Organising function of management.

10. **(c) Option (iii)**

Explanation: The objectives of financial management is to maximize the wealth of shareholders, to provide maximum returns to the owners on their investment. To ensure continuous availability of sufficient funds at reasonable cost, etc.

11. **(c) Financial management**

Explanation: Financial Management is concerned with optimal procurement as well as the usage of finance by planning and controlling all the financial activities of an organization.

12. **(b) Discipline**

Explanation: According to Fayol, there should be one and only one boss for every individual employee and dual subordination should be avoided.

13. **(b) Secondary market**

Explanation: The secondary market is a market for the purchase and sale of existing shares.

14. **(b) Method**

Explanation: Method is the correct option.

15. (c) Protective

Explanation: Educating investor is Protective function of SEBI

16. (c) Capital budgeting decision

Explanation: Purchasing a new machine to replace an existing one is an example of capital budgeting decision.

17. (b) Well-defined body of knowledge

Explanation: Management is based on a systematic body of knowledge comprising well-defined principles based on a variety of business situations.

18. (d) 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.

19. (b) Creativity

Explanation: Planning reduces creativity.

20. Three organisational objectives are as follows

- i. **Survival:** The most important objective of every business is to survive and in order to survive, it should earn enough revenue to cover its costs as a firm wants to work for the long run than they have to survive in the competitive market.
- 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. As blood work in our body, it works in business in the same manner.
- iii. **Growth:** It is an extension of the objective of survival and profit It can be measured in terms' of increase in sales volume, number of employees, capital, machinery, etc.as firm earn a profit and start surviving in the market than it starts to grow up their business as well.

21. (c) All of these

Explanation: Small, medium and large business organizations necessarily are engaged in the process of managing their business units efficiently and effectively through the management process. Thus making it necessary for all kinds of business concerns to execute the control function.

22. i. The element of directing being referred to is motivation.

ii. The importance of motivation is described below:

- a. Increased employee commitment: When employees are motivated to work, they will generally put their best effort into the tasks that are assigned to them.
- b. Improved employee satisfaction: Employee satisfaction is important for every company because this can lead to positive growth for the company.

23. a. Consumer responsibilities which have been discharged by Suman besides asking for a cash memo are:

- i. She was aware of various goods and services available in the market and made an intelligent and wise choice.
- ii. She bought standardized products as standardisation provides quality assurance.

b. Rights discussed in the above case are:

- i. Right to choose
- ii. Right to safety

OR

i. Consumer Protection Act 1986.

ii. District Forum.

iii. Damages upto ₹10 lakh.

24. a. Working capital, also known as net working capital (NWC), is the difference between a company's current assets, such as cash, accounts receivable (customers' unpaid bills) and inventories of raw materials and finished goods, and its current liabilities, such as accounts payable. The working capital requirements of Khushi Entertainment Private Limited will be relatively less as they are engaged in providing event management services, wherein there is no need to maintain inventory.
- b. The other factor mentioned in the paragraph which is likely to affect the working capital requirement of their business is 'Credit availed/ Since as a policy, they take fifty percent of the payment as advance from the client before the start of an event, their requirement of working capital is reduced.

OR

- i. To ensure the availability of funds as and when required.
- ii. To avoid wastage of funds.
25. Planning precedes the execution of all other managerial functions. After plans are made, other managerial functions like organizing, staffing, directing and controlling are performed within the framework of such plans. That is why, planning is the primary function of management as it is the base for all other functions.

OR

Objectives

- These are defined as ends which the management seeks to achieve by its operations.
- The objectives are usually set by the top management of the organisation.
- Objectives focus on broad and general issues.
- They define the future state of affairs which the organisation strives to realise.
- For example, An organisation may have an objective of increasing sales by 10% or earning a reasonable rate of return.

Budget

- It is a statement of expected results expressed in numerical terms.
 - It is a projection designed to define the anticipated costs and results in numerical terms of a single project.
 - It comes under the single-use plan.
 - It is considered as a control device, prepared during the planning process.
 - Various types of budget are cash budget, production budget, sales budget etc.
26. (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.

OR

- a. Planning and Controlling are the functions of the management discussed in the above paragraph. Planning is the fundamental management function, which involves **deciding beforehand**, what is to be done, when is it to be done, how it is to be done and who is going to do it. It is an **intellectual process** which **lays down organisation's objectives and develops various courses of action**, by which the organisation can achieve those objectives. It chalks out exactly, how to attain a specific goal. Controlling is one of the important functions of a manager. In order to seek planned results from the subordinates, a manager needs to exercise effective control over the activities of the subordinates. In other words, the meaning of controlling function can be defined as ensuring that activities in an organization are performed as per the plans. Controlling also ensures that

an organization's resources are being used effectively & efficiently for the achievement of predetermined goals.

- b. i. Love's reply and relations between the functions of management. Planning is Looking Ahead whereas Controlling is Looking Back: Plans are always formulated for future and determine the future course of action for the achievement of set objectives. On the contrary, controlling is looking back because under it a manager tries to find out after the completion of the work, whether it has been done as per the standard or not. It is thus obvious that planning looks ahead (in the future) and controlling looks backward (in the past).
 - ii. Kush's reply and relationship between the functions of management. Planning is Looking back whereas Controlling is Looking ahead: Kush's reply and relations between the functions of management. Planning is called looking back because the plans are formulated on the basis of the happening in the past or on the basis of experience. On the other hand, controlling evaluates the work done in the past but the corrective measures are taken in future. Thus, there is no denying the fact that planning looks backward while controlling looks ahead.
27. a. The type of communication used is "Formal Communication".
- b. Two networks of Formal Communication are :
- i. **Circular:** Under this system, a communication flow is slow because communication moves in a circle and one person can communicate with adjoining two persons.
 - ii. **Wheel:** Under this system, subordinates are not allowed to talk among themselves, they can communicate only through one superior because he works as a hub of the wheel.
28. i. "We should not run after for the profit but for the production"
- Mental Revolution:** This is a technique of Scientific Management developed by Taylor. It implies bringing about such a change in the disposition or state of mind of the management and workers as may encourage them to cooperate rather than compete with each other.
- ii. "She also assured the workers ... a reasonable standard of living."
- The Remuneration of Employees:** It is one of the principles of management given by Fayol. According to this principle, "the employees should be given a reasonable remuneration that may make available for them at least a desirable standard of living."
29. a. **Right to Choose** - According to this right, the consumer has the right to choose from a variety of products at competitive prices. This implies that the marketers should offer a wide variety of products in terms of quality, brand, prices, sizes, etc. and allow the consumer to choose from alternative products.
- b. **Right to be Heard** - According to this right, the consumer has the right to file a complaint and to be heard in case of dissatisfaction with goods or services. Many reputed firms have set up their own consumer service and grievance cells to listen to the consumers' complaints and take appropriate steps to redress their grievances.
30. With the growth in the dealings of stock markets, lot of malpractices also started in stock markets such as price rigging, a unofficial premium on new issue, and delay in delivery of shares, violation of rules and regulations of stock exchange and listing requirements. Due to these malpractices the customers started losing confidence and faith in the stock exchange. So government of India decided to set up an agency or regulatory body known as Securities Exchange Board of India (SEBI).
31. i. **Economic Environment:** Economic Environment consists of factors like inflation rates, interest rates, consumers' incomes, economic policies, market conditions etc. which affect the performance of a business firm. Economic Environment is fully regulated by

RBI (Reserve Bank of India). RBI influences the interest rate in the country, has full control on the flow of money in the economy. It also regulates the working of all banks in India.

- a. **Interest Rates:** Changes in the interest rates greatly affect the demand for goods and services. For example, low long term rates on home loans are beneficial for banks and consumers both.
- b. **Consumer Income:** Increase in the incomes of the consumers leads to increase in their purchasing power. Hence, demand for goods and services rises.
- c. **Inflation Rate:** High inflation rate increases the cost of production and hence puts constraints on firms.
- ii. **Social Environment:** Social environment implies traditions, literacy rates, educational levels, values, customs, lifestyle, demographic distribution and other characteristics of the society in which the organization exists. Traditions mean customs or social practices that have passed on from one generation to another. Values mean standards that a society holds in high esteem e.g., freedom, social justice, equal opportunities etc. which are cherished by us all. Changes in social environment affect the demand for a product, supply of labour and capital. If a business fails to adapt to such changes, its survival becomes difficult. Cooperation between business and society can make business boom (WIN-WIN) whereas confrontation between them may lead to disaster (LOSS-LOSS).
- iii. **Technological Environment:** The forces related to scientific improvements and innovations for improving quality of goods and services and new techniques for operating the business, are all part of technological environment. It includes new approaches, new procedures and new equipments to transform inputs into outputs. It facilitates an organization's efficiency and effectiveness so that it can try to remain at par with the best in the world.
- iv. **Political Environment:** Political Environment consists of forces such as political stability and peace in the country and attitude of the ruling party and its representatives towards business. These forces significantly affect the functioning of business. Whenever there is political stability, it increases the confidence of businessmen whereas political instability, adversely affects the business. For example even after opening of our economy in 1991, many foreign companies found it very difficult to enter the Indian market because of 'Bureaucratic Red Tape'. As a result, many of these companies got discouraged from doing business in India.
- v. **Legal Environment:** Legal environment consists of rules and regulations, framed by the Parliament, under which business must operate. To exist and grow, business is required to follow all the rules and regulations that constitute this environment.

OR

The dimensions of the business environment are:

- i. **Social environment:** Social Environment includes social forces like customs and traditions, values, social trends and society's expectation from the business. The line referring it is:
"India's craft heritage continues because of its customs and traditions."
- ii. **Economic environment:** Economic environment refers to factors like interest rates, inflation rates and changes in disposable income of people, etc. which have an impact on the business enterprise. The line referring it is:
"The volume of exports and imports give India an advantage in the balance of payments and the much needed foreign exchange reserves"
- iii. **Political environment:** Political environment includes political conditions such as general stability and peace in the country and specific attitudes that elected government