

DELHI PUBLIC SCHOOL
BUSINESS STUDIES ANSWER KEY CLASS XII

Identify the levels of management engaged in:

- i) Assembling resources – **top level** ii) Interpreting policies. -**middle level** [1]
2. Budget is _ **numerical expression of plan** [1]
 3. What is management by exception? **dealing with specific corrective action** [1]
 4. Out of managing and directing, which term has a wider scope? **Directing.** [1]
 5. What is meant by liberalisation? **Liberal industrial policy.** [1]
 6. Name the technique which aims at eliminating superfluous varieties, sizes and dimensions. **simplification.** [1]
 7. Give one reason for management being an inexact science. **Unpredictable results.** [1]
 8. If a company does not provide the right place for physical and human resources, which principle of management is violated? **ORDER** [1]
 9. What is social environment? **CUSTOM, RITUALS,FASHION, TRADITION** [1]
 10. Production cycle is one of the factors affecting working capital requirements. In this context, what is production cycle? **ASSEMBLING OF RAW MATERIALS TO FINISHED PRODUCT.** [1]

 11. What is micro environment? Mention its components. **CUSTOMERS/SUPPLIERS** [3]
 12. Subway will not give its franchise to any other company which is already running a restaurant. Name the type of plan and give its features. [Any two]. **POLICY-GUIDELINES/FLEXIBLE** [3]
 13. How does labelling facilitate marketing of a product? **SILENT SALESMAN/ATTRACTION/LITERATURE** [3]
 14. Explain any three benefits of training towards organisation. **ECONOMICAL/REDUCED LABOUR TURNOVER/LESS REQUIREMENT OF SUPERVISION** [3]
 15. What are the elements of directing? **MOTIVATION/COMMUNICATION/LEADERSHIP/SUPERVISION.** [3]
 16. It is a network of personal and social relations arising spontaneously as people associate with one another. Name this organisation and give any three of its advantages. [4]
INFORMAL ORGANISATION-FULFILS SOCIAL NEEDS/EFFECTIVE COMMUNICATION/ORGANISATIONAL OBJECTIVES FULFILLED
 17. Planning strangulates the initiative of the employees. Comment. **RIGIDITY/REDUCES CREATIVITY** [4]
 18. ‘Controlling helps in the judgment of accuracy of standards and motivation of the employees’. Justify. **ACCOMPLISHING ORGANISATIONAL GOALS/ENSURING ORDER AND DISCIPLINE/ IMPROVEMENT OF EMPLOYEE MOTIVATION/COORDINATION** [4]
 19. Does secondary market directly contribute to capital formation? Name the Intermediaries who work for the secondary markets. **YES.FINANCIAL INSTITUTIONS/CORPORATE BODIES/FOREIGN INVESTORS** [2+2]
 20. What do you mean by insider trading? Explain it with an example. **ILLEGAL TRADING WHEREIN THE INVESTORS ARE NOT AWARE OF CERTAIN DETAILS AND THE**

21. Management is a critical ingredient of nation's growth. Justify. **HELPS IN ACHIEVING GROUP GOALS/ CREATES DYNAMIC ORGANISATON/INCREASES EFFICIENCY.** [5]
22. What is meant by Work Study? Briefly explain the role of time and motion studies while setting the standard task. **METHOD/MOTION/TIME/FATIGUE. ESTIMATED TARGET AT THE EXPECTED TIME/ ELIMINATING UNNECESSARY MOVEMENT** [5]
23. Explain objectives, cost and competition as factors determining the price of a product. [5]
HIGHER PROFIT HIGHER PRICE/FIXED AND VARIABLE COST RECOVER/CUT-THROAT COMPETITION PRICES LOW.
24. Despite internal sources of recruitment being economical, why do the companies opt for external resources .Give four reasons. **WIDER CHOICE/FRESH TALENT/QUALIFIED PERSONNEL/COMPETITIVE SPIRIT.** [5]
25. 'When liquidity increases, the profitability decreases'. Explain. [5]
Liquidity- availability of current assets - cash – easily convertible into cash – meet the liabilities – when due – Profitability – earning of business from operating activities – performance can be evaluated – comparing with other business – or its own past performance.
Above statement is based on following assumptions:
Fixed level of total funds – in terms of short and long term funds
Fixed level of total assets – in terms of Current and fixed assets
Long-term funds are costlier than short-term funds
Fixed assets are more profitable than the current assets.
When Current assets increases, the level of fixed assets decrease because total Level of assets is constant – though the current assets increase the liquidity Position – with less fixed assets the profitability decreases as fixed assets are more profitable – vice versa also will decline the liquidity position leading to a risk of insolvency.
Thus a fine balance between profitability and liquidity and also between Profitability and risk is what any business strives for. [5]
26. Discuss Maslow's Need Hierarchy theory of motivation.
ASSUMPTIONS/INDIVIDUAL AND ORGANISATIONAL NEEDS.
OR
What is 'grapevine'? Diagrammatically explain the prevalent grapevine system. [6]
INFORMAL COMMUNICATION-CLUSTER/GOSSIP/PROBABILITY/SINGLE STRAND.
27. What do you mean by product concept? How is it different from selling concept?
PRODUCT IMPROVEMENT,PROFIT THROUGH PRODUCT QUALITY. MAIN FOCUS/START END/MEANS/SCOPE.
OR
Elaborate the objectives of marketing management. [6]
CREATION OF DEMAND/MARKET OFFERING/CUSTOMER VALUE/EXCHANGE MECHANISM.
28. Financial Planning restricts the discretion and creativity of a Financial Manager. Comment.
Forecasting may go wrong – future is not predictable – things may not happen as forecasted – utility of financial planning is limited.
Rigidity – once prepared its difficult to change – a change in circumstances

**may demand change in financial plan – managers may not like so.
Problem of coordination – Finance function is the most important function –
Unless there is a proper coordination among all functions the preparation
of a financial plan becomes difficult. [6]**

OR

When is a Capital Structure said to be optimum? Explain its features. [6]

**The capital structure is said to be optimal – proportion of debt and equity –
results in increase in the value of equity share – decisions relating to capital
structure – should emphasise in increasing the shareholder's wealth.**

Features:

Returns – maximum returns

Risk – Debt increases the risk, so it should be cautiously used.

Flexibility – flexible enough to change debt and equity

Liquidity – adequate liquidity to re-pay

**Economy - Cost of raising should not be more than benefits
derived from it. [6]**

29. Differentiate between delegation and decentralisation on the basis of

(i) purpose (ii) nature (iii) freedom of action

passing on the authority and responsibility/ passing operating control at all levels.

Getting things done through others/ discretionary, based on the decision of top level.

Superiors exercise control/ Executives have freedom of action

OR

What are the circumstances in which the functional structure is suitable. Explain the merits and demerits of the such structure.[Any two].

**LARGE UNIT/SINGLE PRODUCT/FUNCTIONAL SPECIALISATION. SUPERVISION
FACILITATED/SIMPLE AND FLEXIBLE. DIFFICULT TO FIX RESPOSIBILITY/NEGATIVE
EFFECT OF WEAK DEPARTMENT. [6]**

30. Which function of management deals with putting right people at the right place? Give any four points of importance of this function.

STAFFING. DISCOVERING AND COMPETENT PERSONNEL/ BETTER

PERFORMANCE/IMPROVING JOB SATISFACTION AND MORALE OF EMPLOYEES.

OR

Write short notes on (i) Development and Education. (ii) Selection tests. [6]

**OVERAL GROWTH/CAREER ORIENTED/FUTURE TASK. JOB ORIENTED/PRESENT
TASK/SKILL BASED**

END OF EXAMINATION