

**Marking Scheme
Business Studies
Sample Question Paper - I**

1. The characteristic highlighted is that 'Management is a dynamic function'. (1Mark)
2. The management is trying to achieve 'Social Objective'. (1Mark)
3. Any one of the following differences :
 - (i) Principles of management are not as rigid as Principles of pure sciences.
 - (ii) Principles of management deal with human behavior and cannot be tested in laboratories like the Principles of pure science.
 - (iii) Principles of management are general guidelines where as Principles of Pure Science are specific. (1 Mark)
4. Management Principles are said to be universal because these are applicable in all types of organizations, at all levels, and at all times. (1 Mark)
5. The Company will prepare 'Programme'. (1Mark)
6. No, I do not agree because planning only anticipates not eliminates changes/uncertainties. (1)
7. Effective Communication helps in influencing the behaviour of subordinates that is why it is said that communication establishes effective leadership. (1)
8. No, directing is not necessary at planning stage, it is necessary at execution/operational stage. (1)
9. The 'Right to be heard'. (1 Mark)
10. The highest authority where he can appeal is National Commission (1)
11. Yes, Control helps in 'judging accuracy of standards'. As an efficient control system keeps a careful check on the changes taking place in the organization, in the environment and help to review and revise the standards in the light of such changes.

Yes, Control helps in 'improving motivation of the employees'. As it enables to know well in advance the standards of performance on the basis of which they will be appraised so as to give the best of their performance. (3 Marks)
12. The process of 'Financial Planning' prepares a blue print of an organisation's future preparations relating to finance. This process is needed to : (Any two) (1+1x2=3)
 - (i) Help in avoiding business shocks and surprises and help the company in preparing for the future.
 - (ii) Help in coordinating various business functions.
 - (iii) Reduce waste, duplication of efforts and gap in planning.
 - (iv) Provide a continuous link between investment and financing decisions.
 - (v) Help in forecasting what may happen in future under different business situations

13. Objectives of the National Stock Exchange are (any three) :
- (i) Establishing a nationwide trading facility for all types of securities.
 - (ii) Ensuring equal access to investors all over the country
 - (iii) Providing a fair, efficient and transparent securities market using electronic trading system.
 - (iv) Enabling shorter settlement cycles and book entry settlements
 - (v) Meeting international benchmarks & standards (3 Marks)
14. Distinction between Product concept and Production Concept

	Bases	Product Concept	Production Concept
1.	Focus	On Quality, features, performance etc. of the product.	On Quantity of the Product
2.	Means	Product improvements	Availability and affordability of Product.
3.	Ends	Profit through Product quality.	Profit through volume of production

(1 Mark for each difference)

15. How are the shareholders of a company likely the gain with a debt component in the capital employed? Explain with the help of an example. (3)
16. Benefits of Training (Any four)
- (i) Training helps to reduce wastage of efforts and money during learning time.
 - (ii) It enhances employee productivity in terms of quantity and quality.
 - (iii) It equips future managers who can take over the charge in case of emergency.
 - (iv) It increases employee morale and reduces absenteeism and employee turnover.
 - (v) It helps in obtaining effective response to changes in the environment.
 - (vi) Improved skills and knowledge due to training lead to a better career of the employee under training.
 - (vii) Improved performance of the trained employee helps him to earn more.
 - (viii) It makes the employees less prone to accidents as they become more efficient to handle machines
 - (ix) It increases the satisfaction and morale of employees.
- (1 mark for each correct benefit =1x4= 4 marks)
17. (a) Taking corrective/remedial action is the last step of control function of management. (1 Mark)
- (b) The other steps involved in the process of control are : (any three)

- (i) Setting standards of performance i.e. criteria against which actual performance would be measured
- (ii) Measurement of actual performance in the same units in which standards are set
- (iii) Comparison of actual performance with standards to reveal and analyse the deviation, if any, and to identify its cause(s).

(1 mark for each correct step = $1 \times 3 = 3$ marks = $1+3 = 4$ marks)

18. (a) The type of communication is formal communication (1 Mark)
- (b) The networks of formal communication are : (Any Two)
- (i) Wheel
 - (ii) Chain
 - (iii) Circular
 - (iv) Free flow
 - (v) Inverted 'V'
 - (vi) 'Y' - shaped

[½ mark for naming + (1 mark for explanation of each network = $\frac{1}{2} \times 2 = 3$ marks)

19. Distinction between delegation and decentralisation of authority

Basis		Delegation of authority	Decentralisation
(i)	Nature	Delegation is a necessary act because no individual can perform all tasks on his own top management.	Decentralisation is an optional policy decision, It is done at the discretion of
(ii)	Purpose	The purpose of delegation is to lessen the burden of the manager.	The purpose of decentralisation is to increase the role of subordinates in the organization by giving them more autonomy
(iii)	Freedom of action	It gives less freedom of action as there is more control by superiors over subordinates.	It gives greater freedom of action as there is less control over executives
(iv)	Authority	The maximum authority is retained at top level	The authority is stematically divided at every level

(1 Mark for each correct distinction = $1 \times 4 = 4$ Marks)

20. A consumer should keep in mind the following responsibilities (Any four)
- (i) To make an intelligent and wise choice he should be aware of various goods and services available in the market and discourage unscrupulous practices like black-marketing, hoarding etc.
 - (ii) For the assurance of the quality he should purchase only standardised goods.
 - (iii) He should read labels carefully so as to have complete information about the product.
 - (iv) To have the proof of purchase he should insist for cash memo.
 - (v) He should follow the manufacturer's instructions and use the products safely.
 - (vi) To file a complaint with an appropriate consumer forum, in case of a short coming in the quality of goods purchased or services availed
 - (vii) To form consumer societies to educate consumers.
 - (viii) To respect the environment to avoid contribution to pollution.

(1Mark for each statement 1x4= 4 marks)

21. Coordination is inherent and implicit in all functions of management as - (1x5=5)

- (i) Coordination is required in planning
 - * The objectives and available resources.
 - * The master plan and plans of different departments and divisions.
- (ii) Coordination is required in organisation
 - * For resources of an organisation and activities to be performed
 - * for assigning authority, responsibility and accountability.
- (iii) Co-ordination in staffing is needed
 - * Between skill of worker and jobs assigned to them.
 - * Between efficiency of workers and the compensation
- (iv) Co-ordinating in Directing is required
 - * among orders, instructions and suggestions.
 - * among superiors and subordinates.
- (v) Co-ordination in controlling is required :
 - * between laid-down standards and actual performance.
 - * between correction of deviation and achievement of objectives

22. Following factors influence the determination of price of a Product. (Any Five)

- (i) Product Cost
- (ii) Utility and demand
- (iii) Extent of competition in the market.

- (iv) Government and legal regulations.
- (v) Pricing objectives.
- (vi) Marketing method used

[½ mark for naming +½ mark for explaining each factor = 1x5 = 5 Marks]

23. (i) Principle of Equity

The principle of equity implies that similar treatment is assured to employees in similar positions.

According to this principle, managers should be fair & impartial while dealing with their subordinates and there should be no discrimination on the basis of caste, creed, colour, religion, and sex.

Equity is essential to create and maintain cordial relations between managers & subordinates

(2½ marks)

Principle of Remuneration

Remuneration payable to employees should be fair and reasonable so as to give maximum amount of satisfaction to both the employees and the employer.

Remuneration should be determined on the basis of work assigned, cost of living and wages being paid for similar work in the industry.

The level of wages must be within the capacity of the employer to pay, i.e. in accordance with the financial position of the business. (2½ marks)

24. The limitations of planning are (Any five, with explanation)

- (i) Planning leads to rigidity
- (ii) It reduces creativity
- (iii) It involves huge costs
- (iv) It is time consuming
- (v) It does not guarantee success
- (vi) It may result in delay in decisions and action.
- (vii) It fails due to sudden change in social, economic, political and technological environment.
- (viii) It fails due to natural calamities.

(½ mark for each limitation + ½ mark for each explanation=1x5 marks)

25. The functions of a Stock Exchange are (Any five)

- (i) Providing liquidity and marketability to existing securities.

- (ii) Pricing of securities
- (iii) Safety of transaction
- (iv) Contributes to economic growth.
- (v) Spreading of equity cult.
- (vi) Providing scope for speculation
- (vii) Better allocation of Capital

(½ mark for naming and ½ mark for explanation 1x5 = 5 marks).

26. Functional structure of organisation means an organisation structure which is formed by grouping together jobs of similar nature under functions and organising such functions into separate departments such as production, marketing, finance etc.

(2 marks)

Advantages of functional structure : (Any two)

- (i) It leads to specialisation since emphasis is placed on specific functions.
- (ii) It promotes control and coordination within a department because of similarity in the tasks being performed.
- (iii) It helps in increasing managerial and operational efficiency leading to higher profits.
- (iv) It leads to minimal duplication of effort, which results in economies of scale and thus lowers cost.
- (v) It makes training of employees easier as the focus is only on a limited range of skills.
- (vi) It ensures that different functions get due attention.

(1 mark for each correct advantage = 1x2 = 2 marks)

Disadvantages of functional structure (Any two)

- (i) A functional structure may place less emphasis on overall enterprise objectives than the objectives pursued by a functional head, leading to formation of functional empires.
- (ii) It may lead to problems in coordination as information has to be exchanged across functionally differentiated departments
- (iii) Inter-departmental conflicts can arise when the interests of two or more departments are not compatible or in absence of clear separation of responsibility.
- (iv) It may lead to inflexibility as people with same skills and knowledge base may develop a narrow perspective and have difficulty in appreciating any other view point.
- (v) Functional heads do not get training for top management positions because they are unable to gather experience in diverse areas.

(1 mark for each correct disadvantage=1x2 = 2 marks = 2+2+2 = 6 marks)

OR

The steps in the process of organising are (with description)

- (i) Identification and division of work
- (ii) Departmentation
- (iii) Assignment of duties to different job positions
- (iv) Establishing authority/ reporting relationship.

(½ mark for naming + 1 mark for correct explanation = 1½x4 = 6 marks)

27. Yes, selection is a negative process. At every stage many people are eliminated from the process and few move on to the next stage until the right type of person is found.

The type of tests primarily be used to select the following are : (1+1=2)

- (a) Interest tests - as these tests are used to know the pattern of interests or involvement of a person.
- (b) Trade Tests - as these tests measure the existing skills of the individuals
- (c) Pesonality Tests - as these provide clues to a person's emotions, reactions, maturity and value system etc.
- (d) Intelligence Tests - as these tests are indicator of a person's learning ability or ability to make decisions and Judgements. (1x4=4 Marks)

(2+4=6 Marks)

OR

The explanation of the following four ways

- (a) Through Advertisements
- (b) Through Employment Exchange
- (c) Through Campus recruitment
- (d) Through recommendations of existing staff.

(½ mark for naming +
1 Mark for Correct
explanation of each)

(1½x4 = 6 marks)

28. Qualities of a Good Leader (Any four) are :

- (i) Physical Appearance
- (ii) Knowledge
- (iii) Integrity
- (iv) Initiative
- (v) Communication skills
- (vi) Motivation skills

(vii) Self Confidence

(viii) Decisiveness

(ix) Social Skills

(½ mark for naming the quality + 1 mark for correct explanation = 1½x4 = 6 marks)

OR

Importance of Motivation (Any Four)

(i) It helps to improve performance levels of employees

(ii) It helps in development of positive attitude towards work.

(iii) It helps to reduce employees turnover.

(iv) It helps to reduce employees absenteeism.

(v) It helps to reduce resistance to changes (or any other correct point)

(½ mark for naming the point + 1 mark for correct explanation = 1½x4 = 6 Marks)

29. Working Capital means the portion of capital invested in short term assets of a firm. It is the excess of current assets over current liabilities.

(2 Marks)

Factors affecting working capital requirements are : (Any four)

(i) Nature of business

(ii) Scale of operations

(iii) Business cycle

(iv) Seasonal factors

(v) Production Cycle

(vi) Credit allowed

(vii) Credit availed

(viii) Operating Efficiency

(ix) Availability of raw material

(x) Growth prospects

(xi) Level of competition

(xii) Inflation

(½ Mark for naming and ½ for explanation = 1x4 = 2+4 = 6 marks)

OR

Fixed Capital means the portion of capital investment in long-term assets/ Fixed assets of a firm.

2 marks

Factors affecting the requirement of fixed capital (Any four)

- (i) Nature of Business.
- (ii) Scale of Operations
- (iii) Choice of techniques
- (iv) Technology upgradation
- (v) Growth Prospects
- (vi) Diversification
- (vii) Financial alternatives
- (viii) Levels of collaboration

(½ mark for naming+½ mark for explanation=1x4=4, 2+4=6)

30. The constituents of a good brand name are :

- (i) It should be short, easy to pronounce , spell, recognise and remember e.g. NANO, VIP, VIM.
- (ii) It should suggest the products benefits and qualities like - Genteel, Promise, Safi, Duracell, Kleenfloor, Everready.
- (iii) It should be distinctive like- Zadia, Kodak, Zerox
- (iv) It should have a staying power i.e. should not be out of date like Lux, Coca Cola, etc. (1½x4 = 6 Marks)

OR

- (a) The Companies use all tools at the same time because of the nature of market, nature of product, promotion budget and objectives of promotion being different at different times.
- (b) The most commonly used non-personal tool of promotion ushide is paid for by the marketer is advertising. The explanation should include :
It is a paid and non-personal form having an identified sponsor to promote an idea.
- (c) The tools of promotion used are
 - (i) Publicity
 - (ii) Advertisement
 - (iii) Personal-Selling

(2x3=6)