

Senior School Certificate Examination

March -----2009-10

Marking Scheme---Business Studies (Outside Delhi) 66/1, 66/2, 66/3.

General Instructions:

1. The marking scheme carries only suggested value points for the answer. These are only guidelines and do not constitute the complete answer. The students can have their own expression and if the expression is correct, the marks be awarded accordingly.
2. Some of the questions may relate to higher order thinking ability. These questions will be indicated to you separately by a star mark. These questions are to be evaluated carefully and the students understanding / analytical ability may be judged.
3. Evaluation is to be done as per instructions provided in the marking scheme.
4. If a question has parts, please award marks on the right hand side for each part. Marks awarded for different parts of the question should then be totalled up and written in the left hand margin.
5. If a question does not have any parts, marks be awarded in the left hand margin.
6. If a candidate has attempted a question twice, marks obtained in the question attempted first should be retained and the other answer should be scored off.
7. In questions having options, if an examinee attempts both the options, assess the choice attempted first.
8. In a question, if two features/ characteristics/ points are asked but an examinee writes more than two features/ characteristics/ points, say, five, of which first is correct, second is incorrect, the first two should be assessed and the remaining should be ignored.
9. It is expected that the marking scheme should be followed objectively to ensure quality evaluation. For instance, if an examinee scores 30 marks, his/ her mark should not be inflated to 33 simply to pass him/ her.
10. Marks should be awarded keeping in view the total marks of a particular question and not the total marks of the question paper. For example, if one mark is given to a 3 marks question even if nothing is correct, then that one mark constitutes 33% of the total marks for this answer.
11. A full scale of marks 1-100 has to be used. Please do not hesitate to award full marks if the answer deserves it. Similarly, wherever an examinee writes an answer upto the mark, his/ her marks should not be deducted unnecessarily.

| Q. SET No | | | MARKING SCHEME-2009-10 BUSINESS STUDIES <u>OUTSIDE DELHI-66/1</u> EXPECTED ANSWERS / VALUE POINTS | DISTRIBUTION OF MARKS |
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| 66/1 | 66/2 | 66/3 | | |
| 1 | -- | -- | <p>Q. List any two personal objectives of management. Ans. <u>Personal objectives of management (Any two):</u> 1. Competitive salaries and perks. 2. Peer recognition. 3. Personal growth and development of employees. (Or any other correct objective)</p> | $\frac{1}{2} \times 2$ =1 mark |
| 2 | -- | -- | <p>Q. Give any one reason why principles of management are not rigid prescriptions. Ans. Principles of management are not rigid prescriptions because they can be modified according to the needs of the situation.</p> | 1 mark |
| 3 | 5 | 7 | <p>Q. Hero Ltd's target is to produce 10,000 shirts per month at a cost of Rs. 150 per shirt. The Production Manager could achieve this target at a cost of Rs. 160 per shirt. Do you think the Production Manager is 'effective'? Give reason in support of your answer. Ans. Yes, the production manager is effective because he has been able to achieve the target.</p> | $\frac{1}{2}$ mark for agreeing + $\frac{1}{2}$ mark for the reason = $\frac{1}{2} + \frac{1}{2}$ =1 mark |
| 4 | -- | -- | <p>Q. State the objective of motion study. Ans. The objective of motion study is to eliminate unnecessary and wasteful motions so that it takes less time to complete the job efficiently.</p> | 1 mark |
| 5 | -- | -- | <p>Q. Give any one advantage of internal source of recruitment. Ans. <u>Advantages of internal sources of recruitment (Any one):</u> 1. Employees are motivated to improve their performance. 2. It is an economical source of recruitment. 3. It is a more reliable source of recruitment. 4. It is a tool of training the employees to prepare them for higher jobs. 5. It helps in adjustment of surplus employees. 6. It simplifies the process of selection and placement.</p> | 1 mark |
| 6 | -- | -- | <p>Q. Name the method of training in which the trainee learns under the guidance of a master worker. Ans. Apprenticeship training.</p> | 1 mark |
| 7 | 8 | 5 | <p>Q. Name any two essential ingredients of sound working capital management. Ans. <u>The following are the essential ingredients of sound working capital management:</u> 1. Cash Management 2. Inventory Management 3. Receivables Management</p> | $\frac{1}{2} \times 2 =$ 1 mark |

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| 8 | 6 | 4 | <p>Q. "Cost of debt is lower than the cost of equity Share capital". Give reason why even then a company cannot work only with debt.</p> <p>Ans. A company cannot work only with debt because a company cannot be formed or exist without equity.</p> | 1 mark |
| 9 | -- | -- | <p>Q. Which Act of consumer protection provides safety to consumers against deficient services?</p> <p>Ans. The Consumer Protection Act, 1986 provides safety to consumers against deficient services.</p> | 1 mark |
| 10 | 7 | 6 | <p>Q. Why is consumer protection important for businessmen? Give any one reason.</p> <p>Ans. Consumer protection is important for businessmen because of the following reasons (Any one):</p> <ol style="list-style-type: none"> Long-term interests of business. Business uses society's resources. Social Responsibility. Moral Justification. Government Intervention. | 1 mark |
| 11 | 12 | 13 | <p>Q. Define planning. List any two limitations of planning.</p> <p>Ans. Planning means setting objectives for a given time period, formulating various courses of action to achieve them and then selecting the best possible alternative from among the various courses of action available.</p> <p style="text-align: center;">OR</p> <p>Planning is deciding in advance what to do, how to do, when to do and by whom it is to be done. (or any other correct definition)</p> <p><u>The limitations of Planning are (Any two):</u></p> <ol style="list-style-type: none"> Leads to rigidity. May not work in a dynamic environment. Reduces creativity. Involves huge costs. Time-consuming process. Does not guarantee success. | <p>2 marks for definition + (½ mark for limitation ½ x 2 = 1) = 2 + 1 = 3 marks.</p> |
| 12 | 13 | -- | <p>Q. Explain by giving any three reasons why decentralisation is important in an organisation.</p> <p>Ans. Decentralisation is important in an organisation because (Any three):</p> <ol style="list-style-type: none"> It develops initiative amongst subordinates. It develops managerial talent for the future. It leads to quick decision making. It gives relief to top management. It facilitates growth. It facilitates better control. <p>(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)</p> | <p>½ mark for heading + ½ mark for explanation = 1 x 3 = 3 marks</p> |
| 13 | 11 | 12 | <p>Q. Explain when and why the need is felt for having a framework, within which managerial and operating tasks are performed to accomplish desired goals. Name this 'framework' also.</p> <p>Ans. (a) The framework' is called <u>organisational structure.</u></p> | 1 mark for |

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| | | | <p>(b) <u>It is required: (any one)</u></p> <ol style="list-style-type: none"> When an organisation grows in size or complexity When an organisation is new, the structure is required after planning but before staffing. <p>(c) <u>Organisation structure is required because it helps in: (Any one)</u></p> <ol style="list-style-type: none"> Clarity in working relationships. Adaptation to change. Effective administration. Expansion and growth. Optimum utilisation of resources. Better co-ordination. Smooth flow of communication. Better control over the operations of the business. | <p>naming the framework + 1 mark for when required + 1 mark for why required = 1 + 1 + 1 = 3marks</p> |
| 14 | -- | 11 | <p>Q. Explain the following money market instruments: (a) Certificate of Deposit (b) Call Money</p> <p><u>(a) Certificate of Deposit</u> A certificate of deposit is a short term, unsecured, negotiable instrument issued by commercial banks or development financial institutions to individuals, corporations and companies. It is issued during periods of tight liquidity when the deposit growth of banks is slow but the demand for credit is high.</p> <p><u>(b) Call Money</u> It is the method by which banks borrow from each other to be able to maintain the cash reserve ratio. It is repayable on demand, with a maturity period of one day to fifteen days.</p> | <p>1 ½ x 2 = 3 marks</p> |
| 15 | -- | -- | <p>Q. What is meant by product concept of marketing? Ans.</p> <ul style="list-style-type: none"> Product concept emphasises is on quality of product. Under this, product improvement becomes the key for profit maximization. | <p>1 ½ x 2 =3marks</p> |
| 16 | -- | -- | <p>Q. Explain 'objective' and 'strategy' as types of plans. Ans. Objective An objective is the end which the management seeks to achieve. An objective needs to be expressed in specific terms and is to be achieved within a given time period.</p> <p><u>Strategy</u> A strategy is a comprehensive plan for accomplishing an organisation's objectives. It is a term used in defence parlance which means to prepare plans considering the plan of adversary. Whenever a strategy is formulated, the business environment needs to be taken into consideration.</p> | <p>2 marks + 2 marks =2+2 =4marks</p> |
| 17 | 18 | 18 | <p>Q. Blue Birds Ltd. Offers to its employees to issue shares at a price which is less than the market price. (i) Name and explain the type of incentive offered to the employees. (ii) Explain one more incentive of the same category. Ans. (i) Stock Option. It is a financial incentive offered to the employees to create a</p> | <p>(½ mark for naming the incentive + 1 ½ mark for its</p> |

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| | | | <p>feeling of ownership among employees and make them to contribute for the growth of the organisation.</p> <p>(ii) <u>Explanation of any one of the following incentives:</u></p> <ol style="list-style-type: none"> 1. Pay and Allowances. 2. Productivity linked wage incentives. 3. Bonus. 4. Profit Sharing. 5. Retirement Benefits. 6. Perquisites. | <p>explanation = 2 marks)</p> <p>+</p> <p>(1/2 mark for naming the incentive</p> <p>+</p> <p>1 ½ mark for its explanation = 2 marks)</p> <p>=2+2</p> <p>= 4 marks</p> |
| 18 | 16 | 16 | <p>Q. Explain the meaning of Financial Planning. Why is it important? Give any two reasons.</p> <p>Ans. The process of <u>estimating the fund requirements</u> of a business and <u>specifying the sources of funds</u> is called financial planning.</p> <p style="text-align: center;">OR</p> <p>Financial planning is the preparation of a financial blueprint of an organisation's future operations.</p> <p><u>Financial planning is important because (any two):</u></p> <ol style="list-style-type: none"> (i) It helps the company to prepare for the future. (ii) It helps in avoiding business shocks and surprises. (iii) It helps in co-ordinating various business functions. (iv) It helps in reducing waste, duplication of efforts, gaps in planning and confusion. (v) It links the present with the future. (vi) It provides a link between investment and financing decisions. (vii) Financial plan serves as a control technique. (viii) It serves as a guide in developing a sound capital structure so as to maximise returns to the shareholders. | <p>2 marks for meaning</p> <p>+</p> <p>1 mark for each reason</p> <p>1 x 2 = 2</p> <p>= 2 + 2</p> <p>= 4 marks</p> |
| 19 | 20 | 17 | <p>Q. State any two advantages and two limitations of informal organisation.</p> <p>Ans. <u>Advantages of informal organisation (Any two):</u></p> <ol style="list-style-type: none"> 1. It leads to faster spread of information as well a quick feedback. 2. It fulfills the social needs of the members. 3. It contributes towards fulfillment of organisational objectives by compensating for inadequacies in the formal organisation. <p><u>Disadvantages of informal organisation (Any two):</u></p> <ol style="list-style-type: none"> 1. It leads to spread of rumours. 2. It may lead to resistance to change. 3. It pressurizes members to conform to group expectations which may be against organisational interest. | <p>(1 x 2 = 2 marks</p> <p>+</p> <p>1 x 2 = 2 marks)</p> <p>= 2 + 2</p> <p>= 4 marks</p> |
| 20 | 17 | -- | <p>Q. Explain The following 'Rights' of consumers:</p> <p>(i) Right to be Heard (ii) Right to seek Redressal.</p> <p>Ans.</p> <p>(i) <u>Right to be Heard:</u></p> | |

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| | | | <p>The consumer has right to file a complaint and to be heard in case of dissatisfaction with a product or a service. It is because of this reason many firms have set up their own consumer service and grievance cells.</p> <p><u>(ii) Right to Seek Redressal:</u></p> <p>The consumer has a <u>right to get relief</u> in case the product or service falls short of his expectations. The Consumer Protection Act provides relief to customers such as <u>replacement</u> of product, removal of defect in the product, <u>compensation</u> for any loss or injury suffered by the consumer.</p> | <p>2 + 2 = 4marks</p> |
| 21 | 22 | 23 | <p>Q. "Art is concerned with personal application of knowledge." In the light of this statement compare all the features of art with management and prove that it is an art.</p> <p>Ans. "Art is concerned with personal application of knowledge". Management is an art because of the following reasons (Any three):</p> <ol style="list-style-type: none"> <u>1. Existence of theoretical knowledge.</u> As in art, in management too, there is a lot of literature available in various areas of management which the manager has to specialise in. <u>2. Personalised application.</u> Like in any art, in management too, a manager applies his acquired knowledge in a personalised and unique manner. <u>3. Based on continuous practice.</u> Management satisfies this criteria as a manager gains experience through regular practice and becomes more effective. <u>4. Creativity.</u> Like any other art, a manager after studying various situations, formulates his own theories for use in a given situation. This gives rise to different styles of management. <u>5. Situational</u> As in art, management deals with human beings who behave differently in different situations. Therefore, every situation has to be handled in a different manner. <p>As all the criteria of art are satisfied by management, it qualifies as an art.</p> | <p>1 ½ marks for the explanation of each feature = 1 ½ x 3 = 4 ½ + ½ mark for the conclusion = 4 ½ + ½ =5marks</p> |
| 22 | 23 | -- | <p>Q. (i) Name and explain the principle of management in which workers should be encouraged to develop and carry out their plans for improvements in the organisation.</p> <p>(ii) Name and explain the technique of scientific management which helps in eliminating unnecessary diversity of products and thus results in saving cost.</p> <p>Ans.(i) Initiative</p> <ul style="list-style-type: none"> ▪ It means eagerness to initiate action without being asked to do so. ▪ A good organisation should have an <u>employee suggestion system</u> whereby initiative / suggestions which result in substantial cost and time reduction should be rewarded. <p>(ii) Simplification</p> | <p>1 mark for naming each principle + 1 ½ marks for its explanation = 1 + 1 ½ = 2 ½ marks</p> |

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| | | | <ul style="list-style-type: none"> ▪ It aims at <u>eliminating superfluous</u> varieties, sizes and dimensions. ▪ It leads to reduced inventories, fuller utilization of equipment and increased turnover. | <p>= 2 ½ + 2 ½ = 5marks</p> |
| 23 | -- | 22 | <p>Q. Explain by giving any five reasons why understanding of business environment is important for managers. Ans. <u>Understanding of business environment is important for managers because (Any five):</u></p> <ol style="list-style-type: none"> 1. It helps to identify opportunities and getting the first mover advantage. 2. It helps to identify threats and early warning signals. 3. It helps in tapping useful resources. 4. It helps in coping with rapid changes. 5. It helps in assisting in planning and policy formulation. 6. It helps in improving performance. <p>(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)</p> | <p>½ mark for the heading + ½ mark for the explanation = 1 x 5 = 5 marks</p> |
| 24 | -- | -- | <p>Q. State any five methods of floating new issues in the primary market. Ans. The methods of floating new issues in the primary market are:</p> <ol style="list-style-type: none"> (a) <u>Offer through Prospectus</u> – It is the method of floating new issues by inviting subscriptions from the public through issue of prospectus. (b) <u>Offer for Sale</u> – It is the method in which the securities are not issued directly to the public but through intermediaries like issuing houses or stock brokers. (c) <u>Private Placement</u> -It refers to the allotment of securities by a company to institutional investors and some selected individuals. (d) <u>Rights Issue</u>- It is the privilege given to existing shareholders to subscribe to new issue of shares in proportion to the number of shares they already hold. (e) <u>E-IPO</u> – It refers to issuing securities through the online system of stock exchange. | <p>½ mark for naming the method + ½ mark for explanation = 1x5= 5marks</p> |
| 25 | 21 | 21 | <p>Q. 'An important task in the marketing of goods relates to designing the label as it provides useful and detailed information about the product.' In the light of the above statement, draw a label for a liquid soap and highlight the important information to be provided on it. Ans. The following information is to be <u>PROVIDED ON THE LABEL IN ANY FORM</u> (Any five):</p> <div style="border: 1px solid black; padding: 10px; margin: 10px auto; width: fit-content;"> <ol style="list-style-type: none"> 1. Name of the product 2. Name of the manufacturer. 3. Address of the manufacturer. 4. Net weight when packed. 5. Manufacturing date. 6. Expiry date. 7. Maximum retail price (MRP) 8. Batch number. 9. Directions for use 10. Contents </div> | <p>1 mark for each information = 1 x 5 5marks</p> |

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| | | | (if an examinee has not given any of the headings as above but has given some other correct information, full credit should be given) | |
| 26 | 29 | 27 | <p>Q. Explain 'Staffing' as a function of management. Also explain by giving any four reasons why proper staffing is required in an organisation.</p> <p style="text-align: center;">OR</p> <p>Explain the process of selection of employees.</p> <p>Ans. Staffing has been described as the management function of filling and keeping filled the positions in the organisation structure.</p> <p style="text-align: center;">or</p> <p>Staffing is that part of the process of management which is concerned with making available, utilising and maintaining a satisfactory and satisfied work force.</p> <p><u>Proper staffing is required in an organisation because: (any four)</u></p> <p>(a) It helps in discovering and selecting competent work force. (b) It ensures higher performance by placing the right person on the right job. (c) It ensures survival and growth of the enterprise through succession planning for managers. (d) It helps to ensure optimum utilisation of human resources (e) It improves job satisfaction and morale of employees through objective assessment and fair rewarding of their contribution.</p> <p>(if an examinee has not given the headings as above but have given the correct explanations, full credit should be given)</p> <p style="text-align: center;">OR</p> <p>Ans.<u>The process of selection has the following steps:</u></p> <ol style="list-style-type: none"> 1. Preliminary screening. 2. Selection tests and employment interview. 3. Reference and background checks. 4. Selection decision. 5. Medical examination 6. Job offer and contract of employment. <p>(if an examinee has not combined the steps as above but has given all the correct steps, full credit should be given)</p> | <p>2marks for the meaning + 1 mark for each reason (1 x 4 =4 marks) + 2 + 4 =6 marks</p> <p style="text-align: center;">OR</p> <p>½ mark for naming each step + ½ mark for explanation = 1 x 6 =6marks</p> |
| 27 | 30 | 29 | <p>Q. "Leadership is key factor in making any organisation successful." Do you agree with this statement? Give any four reasons in support of your answer.</p> <p style="text-align: center;">OR</p> <p>"Every action in the organisation is initiated through directing." Explain any four points of importance of directing in the light of this statement.</p> <p>Ans. Yes, I agree with the above statement. Leadership is a</p> | <p>½ mark for each heading + 1 mark for each explanation</p> |

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| | | <p>key factor in making any organisation successful because it (Any four):</p> <p>(a) Influences the behaviour of employees (b) Provides confidence, support and encouragement to the employees (c) Helps in overcoming resistance to change. (d) Helps in handling conflicts effectively (e) Provides training to subordinates. (if an examinee has not given the headings as above but have given the correct explanations, full credit should be given)</p> <p style="text-align: center;">OR</p> <p>Ans. The points which emphasise the importance of directing are as follows: (any four)</p> <p>(a) It helps to initiate action. (b) It integrates employees' efforts. (c) It guides employees to realise their potential. (d) It facilitates changes. (e) It brings stability and balance in the organisation.</p> | <p>1 ½ x 4 =6marks</p> <p style="text-align: center;">Or</p> <p>½ mark for each heading + 1 mark for each explanation 1 ½ x 4 =6marks</p> | |
| 28 | 26 | 30 | <p>Q. Explain the meaning of 'Budgetary Control.' Why is it considered an important technique of controlling?</p> <p style="text-align: center;">OR</p> <p>Q. Explain any four points highlighting the importance of controlling.</p> <p>Ans. Budgetary Control is a technique of managerial control in which all <u>operations are planned in advance</u> in the form of budgets. The actual results are <u>compared</u> with budgetary standards and necessary actions are taken to ensure accomplishment of organisational objectives. Budgetary control is considered an important technique of controlling because:</p> <p>(a) It focuses on specific and time-bound targets. (b) It is a source of motivation. (c) It helps in optimum utilisation of resources by proper allocation. (d) It helps to achieve coordination. (e) It facilitates management by exception.</p> <p style="text-align: center;">OR</p> <p>Importance of controlling (Any four):</p> <ol style="list-style-type: none"> 1. It helps in accomplishing organisational goals. 2. It helps in making efficient use of resources. 3. It ensures order and discipline. 4. It improves employee motivation. 5. It helps in judging accuracy of standards. 6. It facilitates co-ordination in action. <p>(if an examinee has not given the headings as above but has given the correct explanation, full credit should be given)</p> | <p>1 mark for meaning + (½ mark for each for each heading + ½ mark for explanation =1x5) 1+5= 6marks</p> <p style="text-align: center;">OR</p> <p>½ mark for each heading + 1 mark for each explanation (1 ½ x 4 = 6 marks)</p> |

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| 29 | 27 | <p>26 Q. What is meant by 'Financing Decision'? State any four factors affecting the financing decision. OR What is meant by 'Capital Structure'? State any four factors affecting the choice of capital structure.</p> <p>Ans. Financing decision is the decision about the quantum of finance to be raised from various long term sources and how much is to be raised from each source.</p> <p><u>Factors affecting financing decision are (Any four):</u></p> <ol style="list-style-type: none"> 1. <u>Cost</u> of different sources of finance as some sources may be cheaper than others. 2. <u>Risk</u> associated with different sources of finance is different. 3. Higher the <u>floatation costs</u>, less attractive the source. 4. A stronger <u>cash flow position</u> may make debt financing more viable than funding through equity. 5. With higher <u>fixed operating costs</u>, lower fixed financing costs should be opted for. 6. Issue of more equity may lead to dilution of management's <u>control</u> over the business. 7. <u>State of the capital market</u> is considered while taking financing decision as in a depressed capital market, issue of equity shares may be difficult. <p style="text-align: center;">OR</p> <p>Ans. The capital structure means the <u>proportion of debt and equity</u> used for financing the operations of a business.</p> <p style="text-align: center;">or</p> <p>It refers to the mix between owner's funds and borrowed funds.</p> <p><u>Factors which affect the capital structure of a company are: (any four)</u></p> <ol style="list-style-type: none"> 1. <u>Cash Flow Position</u> must be considered to meet fixed payment obligations associated with debt. 2. Issue of more equity may lead to dilution of management's <u>control</u> over the business. 3. If the firm uses its debt potential to the full, it loses <u>flexibility</u> to issue further debt 4. If the <u>stock markets</u> are bullish, use of equity is preferred as they are more easily sold even at a higher price. 5. While deciding the capital structure, the <u>regulatory framework</u> provided by law should be considered. 6. If a firm's business <u>risk</u> is lower, its capacity to use debt is higher and vice versa. 7. <u>Floatation cost</u> of different sources is considered as cost of raising equity is higher. 8. The higher the <u>Interest Coverage Ratio (ICR)</u>, lower is the risk of company failing to meet its interest obligations. 9. A higher <u>Debt Service Coverage Ratio (DSCR)</u> indicates the company's potential to increase debt component in its capital structure. | <p>2 marks for meaning +1 mark for each factor 1 x 4 = 4marks 2+4= 6marks</p> <p style="text-align: center;">OR</p> <p>2 marks for meaning + 1 mark for each factor 1 x 4 = 4marks =2+4 =6marks</p> |
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| | | | <p>10. If the <u>Return on Investment (ROI)</u> of the company is higher than the interest on debt, its ability to use debt is greater.</p> <p>11. A firm's ability to borrow (<u>cost of debt</u>) at a lower rate, increase its capacity to employ higher debt.</p> <p>12. <u>Cost of Equity</u> increase when debt is used beyond a certain point.</p> <p>13. A higher <u>tax rate</u> makes debt relatively cheaper and more attractive.</p> <p>14. <u>Capital Structure of other companies</u> is also a useful guideline while planning capital structure.</p> | |
| 30 | 28 | 28 | <p>Q. Name that element of the marketing mix which affects the revenue and profits of the firm. Explain any five factors which help in determining that element.</p> <p style="text-align: center;">OR</p> <p>“Generally consumers prefer to buy goods directly from the producers but it is not always possible.” Give reasons. Why is it so by explaining four different factors responsible for this?</p> <p>Ans. The element of the marketing mix which affect the revenue and profits of the firm is PRICE.</p> <p><u>Factors which help in price determination are (Any five:</u></p> <ol style="list-style-type: none"> 1. Product cost 2. Utility and demand. 3. Extent of competition in the market. 4. Government and legal regulations. 5. Pricing objectives 6. Marketing methods used. <p style="text-align: center;">OR</p> <p>Generally consumers prefer to buy goods directly from the producers but it is not always possible. This is so because of the following factors (Any four):</p> <ol style="list-style-type: none"> 1. <u>Product related factors</u> – Goods which are standardized, are non perishable, non complex or have a low unit value are sold by the producers through indirect channels. 2. <u>Company characteristics</u> – When the financial strength of the company is not very strong or when the company does not want control over the channel members, it may go in for indirect channels. 3. <u>Competitive factors</u> – The company may decide to use indirect channel either to go with the competitor or be different from them 4. <u>Market factors</u>- When the size of the market is large, consumers are widely dispersed or the order size is small, the company may decide to use indirect channels. 5. <u>Environmental factors</u> –Keeping in mind the economic conditions and legal constraints, a company may decide to use indirect channels. | <p>1 mark for naming the element + (½ mark for naming the factor + ½ mark for explanation =1 x 5 =5 marks) =1 + 5 =6marks OR</p> <p>½ mark for naming the factor + 1 mark for explanation =1 ½ x 4 =6 marks</p> |

| Q. SET No. | | | MARKING SCHEME-2009-10 BUSINESS STUDIES <u>OUTSIDE DELHI-66/2</u> EXPECTED ANSWERS / VALUE POINTS | DISTRI- BUTION OF MARKS |
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| 66/1 | 66/2 | 66/3 | | |
| -- | 1 | -- | <p>Q. List any two social objectives of management. Ans. <u>Social objectives of management (Any two):</u> 1. To use environmental friendly methods of production. 2. To give employment opportunities to the disadvantaged sections of the society. 3. To provide basic amenities like schools and crèches. (Or any other correct objective)</p> | $\frac{1}{2} \times 2 =$ 1 mark |
| -- | 2 | -- | <p>Q. Give any one reason why principles of management are called contingent. Ans. Principles of management are called contingent because the application of principles has to be changed according to the prevailing situation at a particular point of time.</p> | 1 mark |
| -- | 3 | -- | <p>Q. State the objective of time study. Ans. The objective of time study is to determine the standard time taken to perform a well defined task.</p> | 1 mark |
| -- | 4 | -- | <p>Q. Give any one limitation of internal source of recruitment. Ans. <u>Limitation of internal source of recruitment (Any one):</u> 1. Dangers of <u>inbreeding</u> by stopping infusion of new talent. 2. Employees may become <u>lethargic</u> if they are sure of time bound promotions. 3. <u>Limited choice</u>. 4. <u>Lack of competition</u> amongst employees. 5. <u>Frequent transfers</u> of employees may <u>reduce productivity</u>.</p> | 1 mark |
| 3 | 5 | 7 | <p>Q. Hero Ltd's target is to produce 10,000 shirts per month at a cost of Rs. 150 per shirt. The Production Manager could achieve this target at a cost of Rs. 160 per shirt. Do you think the Production Manager is 'effective'? Give reason in support of your answer. Ans. Yes, the production manager is effective because he has been able to achieve the target.</p> | $\frac{1}{2}$ mark for agreeing + $\frac{1}{2}$ mark for the reason = $\frac{1}{2} + \frac{1}{2}$ = 1 mark |
| 8 | 6 | 4 | <p>Q. "Cost of debt is lower than the cost of equity Share capital". Give reason why even then a company cannot work only with debt. Ans. A company cannot work only with debt because a company cannot be formed or exist without equity.</p> | 1 mark |
| 10 | 7 | 6 | <p>Q. Why is consumer protection important for businessmen? Give any one reason. Ans. Consumer protection is important for businessmen because of the following reasons(<u>Any one</u>):: f. Long-term interests of business. g. Business uses society's resources. h. Social Responsibility.</p> | 1 mark |

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|----|----|----|--|--|
| | | | <ul style="list-style-type: none"> i. Moral Justification. j. Government Intervention. | |
| 7 | 8 | 5 | <p>Q. Name any two essential ingredients of sound working capital management.</p> <p>Ans. The following are the essential ingredients of sound working capital management:</p> <ol style="list-style-type: none"> 1. Cash Management 2. Inventory Management 3. Receivables Management | $\frac{1}{2} \times 2 =$ 1 mark |
| -- | 9 | -- | <p>Q. Name the method of training in which the trainee works directly with a senior manager and the manager takes full responsibility of the trainee.</p> <p>Ans. <u>Coaching.</u></p> | 1 mark |
| -- | 10 | -- | <p>Q. Which Act provides relief to the buyers of goods in case the goods purchased do not comply with the expressed condition?</p> <p>Ans. The Sale of Goods Act, 1930.</p> | 1 mark |
| 13 | 11 | 12 | <p>Q. Explain when and why the need is felt for having a framework, within which managerial and operating tasks are performed to accomplish desired goals. Name this 'framework' also.</p> <p>Ans. (a) The framework' is called <u>organisational structure.</u> (b) <u>It is required: (any one)</u></p> <ol style="list-style-type: none"> 1. When an organisation grows in size or complexity 2. When an organisation is new, the structure is required after planning but before staffing. <p>(c) <u>Organisation structure is required because it helps in: (Any one)</u></p> <ol style="list-style-type: none"> 1. Clarity in working relationships. 2. Adaptation to change. 3. Effective administration. 4. Expansion and growth. 5. Optimum utilisation of resources. 6. Better co-ordination. 7. Smooth flow of communication. 8. Better control over the operations of the business. | 1 mark for naming the framework + 1 mark for when required + 1 mark for why required = 1 + 1 + 1 = 3marks |
| 11 | 12 | 13 | <p>Q. Define planning. List any two limitations of planning.</p> <p>Ans. Planning means setting objectives for a given time period, formulating various courses of action to achieve them and then selecting the best possible alternative from among the various courses of action available.</p> <p style="text-align: center;">OR</p> <p>Planning is deciding in advance what to do, how to do, when to do and by whom it is to be done.</p> <p style="text-align: center;"><u>(or any other correct definition)</u></p> <p><u>The limitations of Planning are (Any two):</u></p> <ol style="list-style-type: none"> g. Leads to rigidity. h. May not work in a dynamic environment. i. Reduces creativity. j. Involves huge costs. k. Time-consuming process. l. Does not guarantee success. | 2 marks for definition + ($\frac{1}{2}$ mark for limitation $\frac{1}{2} \times 2 = 1$) = 2+1 = 3 marks. |

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| 12 | 13 | -- | <p>Q. Explain by giving any three reasons why decentralisation is important in an organisation.</p> <p>Ans. <u>Decentralisation is important in an organisation because (Any three):</u></p> <ol style="list-style-type: none"> 1. It develops initiative amongst subordinates. 2. It develops managerial talent for the future. 3. It leads to quick decision making. 4. It gives relief to top management. 5. It facilitates growth. 6. It facilitates better control. <p>(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)</p> | <p>½ mark for heading + ½ mark for explanation = 1 x 3 =3marks</p> |
| -- | 14 | -- | <p>Q. Explain the following money market instruments:</p> <p>(a) Commercial Paper (b) Commercial Bill</p> <p>Ans. <u>Commercial Paper</u></p> <p>It is an instrument issued by large and creditworthy companies to raise short term funds at lower rates of interest than the market rates. It is an unsecured, negotiable promissory note with a fixed maturity period.</p> <p><u>(b) Commercial Bill:</u></p> <p>It is a bill of exchange used to finance working capital requirements of business firms. It is short-term, negotiable and self-liquidating instrument.</p> | <p>1 ½ + 1 ½ = 1½ + 1½ =3 marks</p> |
| -- | 15 | -- | <p>Q. What is meant by 'selling concept' of marketing?</p> <p>Ans.</p> <ul style="list-style-type: none"> ▪ Selling concept is based on the belief that profits could be maximised by undertaking <u>aggressive selling and promotional efforts.</u> ▪ <u>Increasing sales volume</u> is considered to be the key to the success of a firm according to this concept. | <p>1 ½ x 2 =3marks</p> |
| 18 | 16 | 16 | <p>Q. Explain the meaning of Financial Planning. Why is it important? Give any two reasons.</p> <p>Ans. The process of <u>estimating the fund requirements</u> of a business and <u>specifying the sources of funds</u> is called financial planning.</p> <p style="text-align: center;">OR</p> <p>Financial planning is the preparation of a financial blueprint of an organisation's future operations.</p> <p><u>Financial planning is important because (any two):</u></p> <ol style="list-style-type: none"> (i) It helps the company to prepare for the future. (ii) It helps in avoiding business shocks and surprises. (iii) It helps in co-ordinating various business functions. (iv) It helps in reducing waste, duplication of efforts, gaps in planning and confusion. (v) It links the present with the future. (vi) It provides a link between investment and financing decisions. (vii) Financial plan serves as a control technique. (viii) It serves as a guide in developing a sound capital structure so as to maximise returns to the shareholders. | <p>2 marks for meaning + 1 mark for each reason 1 x 2 =2 =2 + 2 =4marks</p> |

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| 20 | 17 | -- | <p>Q. Explain The following 'Rights' of consumers: (i) Right to be Heard (ii) Right to seek Redressal. Ans. (i) Right to be Heard: The consumer has right to file a complaint and to be heard in case of dissatisfaction with a product or a service. It is because of this reason many firms have set up their own consumer service and grievance cells.</p> <p>(ii) Right to Seek Redressal: The consumer has a <u>right to get relief</u> in case the product or service falls short of his expectations. The Consumer Protection Act provides relief to customers such as <u>replacement</u> of product, removal of defect in the product, <u>compensation</u> for any loss or injury suffered by the consumer.</p> | <p>2 + 2 = 4marks</p> |
| 17 | 18 | 18 | <p>Q. Blue Birds Ltd. Offers to its employees to issue shares at a price which is less than the market price. (i) Name and explain the type of incentive offered to the employees. (ii) Explain one more incentive of the same category. Ans. (i) Stock Option. It is a financial incentive offered to the employees to create a feeling of ownership among employees and make them to contribute for the growth of the organisation.</p> <p>(ii) Explanation of any one of the following incentives: 1. Pay and Allowances. 2. Productivity linked wage incentives. 3. Bonus. 4. Profit Sharing. 5. Retirement Benefits. 6. Perquisites.</p> | <p>(½ mark for naming the incentive + 1½ mark for its explanation = 2 marks) + (1/2 mark for naming the incentive + 1½ mark for its explanation = 2 marks) = 2+2 = 4 marks</p> |
| -- | 19 | -- | <p>Q. Explain policy and procedure as types of plans. Ans. Policy: Policies is a general guideline which brings uniformity in decision making for achievement of predetermined objectives. A manager may use his discretion to interpret and apply a policy. Procedure: It consists of routine steps on how to carry out activities. It details the exact manner in which any work is to be performed. It specifies the steps in a chronological order.</p> | <p>2 marks + 2 marks =4marks</p> |
| 19 | 20 | 17 | <p>Q. State any two advantages and two limitations of informal organisation. Ans. Advantages of informal organisation (Any two): 1. It leads to faster spread of information as well a quick feedback. 2. It fulfills the social needs of the members. 3. It contributes towards fulfillment of organisational objectives by compensating for inadequacies in the formal organisation. <u>Disadvantages of informal organisation (Any two):</u> 1. It leads to spread of rumours. 2. It may lead to resistance to change.</p> | <p>(1 x 2 = 2 marks) + 1 x 2 = 2 marks)</p> |

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| | | | 3. It pressurizes members to conform to group expectations which may be against organisational interest. | = 2 +2 =4 marks |
| 25 | 21 | 21 | <p>Q. 'An important task in the marketing of goods relates to designing the label as it provides useful and detailed information about the product.' In the light of the above statement, draw a label for a liquid soap and highlight the important information to be provided on it.</p> <p>Ans. The following information is to be <u>PROVIDED ON THE LABEL IN ANY FORM</u> (Any five):</p> <div style="border: 1px solid black; padding: 10px; margin: 10px auto; width: fit-content;"> <ol style="list-style-type: none"> 11. Name of the product 12. Name of the manufacturer. 13. Address of the manufacturer. 14. Net weight when packed. 15. Manufacturing date. 16. Expiry date. 17. Maximum retail price (MRP) 18. Batch number. 19. Directions for use 20. Contents </div> <p>(if an examinee has not given any of the headings as above but has given some other correct information, full credit should be given)</p> | <p>1 mark for each information = 1 x 5 5marks</p> |
| 21 | 22 | 23 | <p>Q. "Art is concerned with personal application of knowledge." In the light of this statement compare all the features of art with management and prove that it is an art.</p> <p>Ans. "Art is concerned with personal application of knowledge". Management is an art because of the following reasons (Any three):</p> <ol style="list-style-type: none"> 1. <u>Existence of theoretical knowledge.</u> As in art, in management too, there is a lot of literature available in various areas of management which the manager has to specialise in. 2. <u>Personalised application.</u> Like in any art, in management too, a manager applies his acquired knowledge in a personalised and unique manner. 3. <u>Based on continuous practice.</u> Management satisfies this criteria as a manager gains experience through regular practice and becomes more effective. 4. <u>Creativity.</u> Like any other art, a manager after studying various situations, formulates his own theories for use in a given situation. This gives rise to different styles of management. 5. <u>Situational</u> As in art, management deals with human beings who behave differently in different situations. Therefore, every situation has to be handled in a different manner. <p>As all the criteria of art are satisfied by management, it qualifies as an art.</p> | <p>1 ½ marks for the explanation of each feature = 1 ½ x 3 = 4 ½ + ½ mark for the conclusion = 4 ½ + ½ =5marks</p> |

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| 22 | 23 | -- | <p>Q. (i) Name and explain the principle of management in which workers should be encouraged to develop and carry out their plans for improvements in the organisation.</p> <p>(ii) Name and explain the technique of scientific management which helps in eliminating unnecessary diversity of products and thus results in saving cost.</p> <p>Ans.(i) Initiative</p> <ul style="list-style-type: none"> ▪ It means eagerness to initiate action without being asked to do so. ▪ A good organisation should have an <u>employee suggestion system</u> whereby initiative / suggestions which result in substantial cost and time reduction should be rewarded. <p>(ii) Simplification</p> <ul style="list-style-type: none"> ▪ It aims at <u>eliminating superfluous</u> varieties, sizes and dimensions. ▪ It leads to reduced inventories, fuller utilization of equipment and increased turnover. | <p>1 mark for naming each principle + 1 ½ marks for its explanation = 1 + 1 ½ = 2 ½ marks</p> <p>= 2 ½ + 2 ½ = 5marks</p> |
| -- | 24 | -- | <p>Q. Explain any five impacts of government policy changes on business and industry in India.</p> <p>Ans. <u>Impact of government policy changes on business and industry in India (Any five):</u></p> <ol style="list-style-type: none"> 1. Increasing competition 2. More demanding customers 3. Rapidly changing technological environment 4. Necessity for change 5. Need for developing human resources. 6. Market orientation 7. Loss of budgetary support to the public sector. <p>(if an examinee has not given the headings as above but has given the correct explanation, full credit should be given)</p> | <p>½ mark for the heading + ½ mark for the explanation = 1 x 5 =5marks</p> |
| -- | 25 | -- | <p>Q. State any five regulatory functions of Securities and Exchange Board of India.</p> <p>Ans. <u>Regulatory functions of Securities and Exchange Board of India are (Any five):</u></p> <ol style="list-style-type: none"> 1. Registration of brokers and sub brokers and other players in the market. 2. Registration of collective investment schemes and mutual funds. 3. Regulation of stock brokers, portfolio exchanges, underwriters and merchant bankers. 4. Regulation of takeover bids by companies. 5. Calling for information by undertaking inspection, conducting enquiries and audit of stock exchanges and intermediaries. 6. Levying fee or other charges for carrying out the purposes of the SEBI Act, 1992. 7. Performing and exercising such powers under Securities Contract (Regulation) Act 1956 as may be delegated by the government of India | <p>1 x 5</p> <p>=5marks</p> |
| 28 | 26 | 30 | <p>Q. Explain the meaning of 'Budgetary Control.' Why is it considered an important technique of controlling?</p> <p style="text-align: center;">OR</p> <p>Q. Explain any four points highlighting the importance of controlling.</p> | <p>1 mark for meaning</p> |

Ans. Budgetary Control is a technique of managerial control in which all operations are planned in advance in the form of budgets. The actual results are compared with budgetary standards and necessary actions are taken to ensure accomplishment of organisational objectives.

Budgetary control is considered an important technique of controlling because:

- (a) It focuses on specific and time-bound targets.
- (b) It is a source of motivation.
- (c) It helps in optimum utilisation of resources by proper allocation.
- (d) It helps to achieve coordination.
- (e) It facilitates management by exception.

OR

Importance of controlling (Any four):

1. It helps in accomplishing organisational goals.
2. It helps in making efficient use of resources.
3. It ensures order and discipline.
4. It improves employee motivation.
5. It helps in judging accuracy of standards.
6. It facilitates co-ordination in action.

(if an examinee has not given the headings as above but has given the correct explanation, full credit should be given)

+
(½ mark for each for each heading + ½ mark for explanation =1x5)
1+5=6marks

OR

½ mark for each heading + 1 mark for each explanation (1 ½ x 4 = 6 marks)

29 27 26

Q. What is meant by 'Financing Decision'? State any four factors affecting the financing decision.

Ans. Financing decision is the decision about the quantum of finance to be raised from various long term sources and how much is to be raised from each source.

Factors affecting financing decision are (Any four):

1. Cost of different sources of finance as some sources may be cheaper than others.
2. Risk associated with different sources of finance is different.
3. Higher the floatation costs, less attractive the source.
4. A stronger cash flow position may make debt financing more viable than funding through equity.
5. With higher fixed operating costs, lower fixed financing costs should be opted for.
6. Issue of more equity may lead to dilution of management's control over the business.
7. State of the capital market is considered while taking financing decision as in a depressed capital market, issue of equity shares may be difficult.

OR

What is meant by 'Capital Structure'? State any four factors affecting the choice of capital structure.

Ans. The capital structure means the proportion of debt and equity used for financing the operations of a business.

OR

It refers to the mix between owner's funds and borrowed funds.

2 marks for meaning +1 mark for each factor 1 x 4 = 4marks
2+4= 6marks

OR

2 marks for meaning + 1 mark for each factor 1 x 4 = 4marks
=2+4 =6marks

Factors which affect the capital structure of a company are: (any four)

1. Cash Flow Position must be considered to meet fixed payment obligations associated with debt.
2. Issue of more equity may lead to dilution of management's control over the business.
3. If the firm uses its debt potential to the full, it loses flexibility to issue further debt
4. If the stock markets are bullish, use of equity is preferred as they are more easily sold even at a higher price.
5. While deciding the capital structure, the regulatory framework provided by law should be considered.
6. If a firm's business risk is lower, its capacity to use debt is higher and vice versa.
7. Flootation cost of different sources is considered as cost of raising equity is higher.
8. The higher the Interest Coverage Ratio (ICR), lower is the risk of company failing to meet its interest obligations.
9. A higher Debt Service Coverage Ratio (DSCR) indicates the company's potential to increase debt component in its capital structure.
10. If the Return on Investment (ROI) of the company is higher than the interest on debt, its ability to use debt is greater.
11. A firm's ability to borrow (cost of debt) at a lower rate, increase its capacity to employ higher debt.
12. Cost of Equity increase when debt is used beyond a certain point.
13. A higher tax rate makes debt relatively cheaper and more attractive.
14. Capital Structure of other companies is also a useful guideline while planning capital structure.

30 28 28

Q. Name that element of the marketing mix which affects the revenue and profits of the firm. Explain any five factors which help in determining that element.

OR

“Generally consumers prefer to buy goods directly from the producers but it is not always possible.” Give reasons. Why is it so by explaining four different factors responsible for this?

Ans. The element of the marketing mix which affect the revenue and profits of the firm is PRICE.

Factors which help in price determination are (Any five):

1. Product cost
2. Utility and demand.
3. Extent of competition in the market.
4. Government and legal regulations.
5. Pricing objectives
6. Marketing methods used.

OR

1 mark for naming the element
+
(½ mark for naming the factor
+
½ mark for explanation
=1 x 5
=5 marks)
=1 + 5
=6marks
OR

| | | | |
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| | | <p>Generally consumers prefer to buy goods directly from the producers but it is not always possible. This is so because of the following factors (Any four):</p> <ol style="list-style-type: none"> 1. <u>Product related factors</u> – Goods which are standardized, are non perishable, non complex or have a low unit value are sold by the producers through indirect channels. 2. <u>Company characteristics</u> – When the financial strength of the company is not very strong or when the company does not want control over the channel members, it may go in for indirect channels. 4. <u>Competitive factors</u> – The company may decide to use indirect channel either to go with the competitor or be different from them 4. <u>Market factors</u>- When the size of the market is large, consumers are widely dispersed or the order size is small, the company may decide to use indirect channels. 5. <u>Environmental factors</u> – Keeping in mind the economic conditions and legal constraints, a company may decide to use indirect channels. | <p>½ mark for naming the factor + 1 mark for explanation =1 ½ x 4 =6 marks</p> |
| 26 | 29 | <p>27 Q. Explain ‘Staffing’ as a function of management. Also explain by giving any four reasons why proper staffing is required in an organisation.</p> <p style="text-align: center;">OR</p> <p>Explain the process of selection of employees.</p> <p>Ans. Staffing has been described as the management function of filling and keeping filled the positions in the organisation structure.</p> <p style="text-align: center;">or</p> <p>Staffing is that part of the process of management which is concerned with making available, utilising and maintaining a satisfactory and satisfied work force.</p> <p><u>Proper staffing is required in an organisation because: (any four)</u></p> <ol style="list-style-type: none"> (a) It helps in discovering and selecting competent work force. (b) It ensures higher performance by placing the right person on the right job. (c) It ensures survival and growth of the enterprise through succession planning for managers. (d) It helps to ensure optimum utilisation of human resources (e) It improves job satisfaction and morale of employees through objective assessment and fair rewarding of their contribution. <p>(if an examinee has not given the headings as above but have given the correct explanations, full credit should be given)</p> <p style="text-align: center;">OR</p> <p>Ans. <u>The process of selection has the following steps:</u></p> <ol style="list-style-type: none"> 1. Preliminary screening. 2. Selection tests and employment interview. 3. Reference and background checks. 4. Selection decision. 5. Medical examination 6. Job offer and contract of employment. | <p>2marks for the meaning + 1 mark for each reason (1 x 4 =4 marks) + 2 + 4 =6 marks</p> <p style="text-align: center;">OR</p> <p>½ mark for naming each step + ½ mark for explanation = 1 x 6 =6marks</p> |

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| | | | (if an examinee has not combined the steps as above but has given all the correct steps, full credit should be given) | |
| 27 | 30 | 29 | <p>Q. "Leadership is key factor in making any organisation successful." Do you agree with this statement? Give any four reasons in support of your answer.</p> <p style="text-align: center;">OR</p> <p>"Every action in the organisation is initiated through directing." Explain any four points of importance of directing in the light of this statement.</p> <p>Ans. Yes, I agree with the above statement. <u>Leadership is a key factor in making any organisation successful because it (Any four):</u></p> <ul style="list-style-type: none"> (a) Influences the behaviour of employees (b) Provides confidence, support and encouragement to the employees (c) Helps in overcoming resistance to change. (d) Helps in handling conflicts effectively (e) Provides training to subordinates. <p>(if an examinee has not given the headings as above but have given the correct explanations, full credit should be given)</p> <p style="text-align: center;">OR</p> <p>Ans. The points which emphasise the importance of directing are as follows: (any four)</p> <ul style="list-style-type: none"> (a) It helps to initiate action. (b) It integrates employees' efforts. (c) It guides employees to realise their potential. (d) It facilitates changes. (e) It brings stability and balance in the organisation. | <p>½ mark for each heading + 1 mark for each explanation 1 ½ x 4 =6marks</p> <p style="text-align: center;">Or</p> <p>½ mark for each heading + 1 mark for each explanation 1 ½ x 4 =6marks</p> |

| Q. SET No. | | | MARKING SCHEME-2009-10 BUSINESS STUDIES OUTSIDE DELHI-66/3 EXPECTED ANSWERS / VALUE POINTS | DISTRIBUTION OF MARKS |
|------------|--------|--------|---|---|
| 66/1/1 | 66/1/2 | 66/1/3 | | |
| -- | -- | 1 | <p>Q. List any two organisational objectives of management. Ans. Organisational objectives of management are: (Any two): -Survival -Profit -Growth</p> | $\frac{1}{2} \times 2$ =1 mark |
| -- | -- | 2 | <p>Q. Give any one reason why principles of management do not provide readymade solution to all managerial problems. Ans. Principles of management do not provide readymade solution to all managerial problems because principles provide general guidelines to managers whereas real business situations are very complex and dynamic.</p> | 1 mark |
| -- | -- | 3 | <p>Q. State the objective of 'Fatigue Study.' Ans. The objective of fatigue study is to determine the amount and frequency of rest intervals in completing a standard task.</p> | 1 mark |
| 8 | 6 | 4 | <p>Q. "Cost of debt is lower than the cost of equity Share capital". Give reason why even then a company cannot work only with debt. Ans. A company cannot work only with debt because a company cannot be formed or exist without equity.</p> | 1 mark |
| 7 | 8 | 5 | <p>Q. Name any two essential ingredients of sound working capital management. Ans. <u>The following are the essential ingredients of sound working capital management:</u> 1. Cash Management 2. Inventory Management 3. Receivables Management</p> | $\frac{1}{2} \times 2$ =1 mark |
| 10 | 7 | 6 | <p>Q. Why is consumer protection important for businessmen? Give any one reason. Ans. Consumer protection is important for businessmen because of the following reasons(<u>Any one</u>):: a. Long-term interests of business. b. Business uses society's resources. c. Social Responsibility. d. Moral Justification. e. Government Intervention.</p> | 1 mark |
| 3 | 5 | 7 | <p>Q. Hero Ltd's target is to produce 10,000 shirts per month at a cost of Rs. 150 per shirt. The Production Manager could achieve this target at a cost of Rs. 160 per shirt. Do you think the Production Manager is 'effective'? Give reason in support of your answer. Ans. Yes, the production manager is effective because he has been able to achieve the target.</p> | $\frac{1}{2}$ mark for agreeing + $\frac{1}{2}$ mark for the reason = $\frac{1}{2} + \frac{1}{2}$ =1 mark |

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| -- | -- | 8 | <p>Q. Give any one advantage of external source of recruitment.</p> <p>Ans. <u>Advantages of external source of recruitment (Any one):</u></p> <ol style="list-style-type: none"> 1. Qualified personnel. 2. Wider choice. 3. Fresh talent 4. Competitive spirit. | 1 mark |
| -- | -- | 9 | <p>Q. Name the method of training in which the trainees learn on the equipments they will be using.</p> <p>Ans. <u>Vestibule training.</u></p> | 1 mark |
| -- | -- | 10 | <p>Q. Which Act of consumer protection provides for the formation of 'Consumer Protection Councils' in every district and state of the country?</p> <p>Ans. <u>The Consumer Protection Act, 1986.</u></p> | 1 mark |
| 14 | -- | 11 | <p>Q. Explain the following money market instruments: (a) Certificate of Deposit (b) Call Money</p> <p><u>(a) Certificate of Deposit</u> A certificate of deposit is a short term, unsecured, negotiable instrument issued by commercial banks or development financial institutions to individuals, corporations and companies. It is issued during periods of tight liquidity when the deposit growth of banks is slow but the demand for credit is high.</p> <p><u>(b) Call Money</u> It is the method by which banks borrow from each other to be able to maintain the cash reserve ratio. It is repayable on demand, with a maturity period of one day to fifteen days.</p> | <p>1 ½ x 2</p> <p>= 3 marks</p> |
| 13 | 11 | 12 | <p>Q. Explain when and why the need is felt for having a framework, within which managerial and operating tasks are performed to accomplish desired goals. Name this 'framework' also.</p> <p>Ans. (a) The framework' is called <u>organisational structure.</u> (b) <u>It is required: (any one)</u></p> <ol style="list-style-type: none"> 1. When an organisation grows in size or complexity 2. When an organisation is new, the structure is required after planning but before staffing. <p>(c) <u>Organisation structure is required because it helps in:</u> <u>(Any one)</u></p> <ol style="list-style-type: none"> 1. Clarity in working relationships. 2. Adaptation to change. 3. Effective administration. 4. Expansion and growth. 5. Optimum utilisation of resources. 6. Better co-ordination. 7. Smooth flow of communication. 8. Better control over the operations of the business. | <p>1 mark for naming the framework + 1 mark for when required + 1 mark for why required = 1 + 1 + 1 = 3marks</p> |
| 11 | 12 | 13 | <p>Q. Define planning. List any two limitations of planning.</p> <p>Ans. Planning means setting objectives for a given time period, formulating various courses of action to achieve them and then selecting the best possible alternative from among</p> | |

| | | | | |
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| | | | <p>the various courses of action available.</p> <p style="text-align: center;">OR</p> <p>Planning is deciding in advance what to do, how to do, when to do and by whom it is to be done. (or any other correct definition)</p> <p><u>The limitations of Planning are (Any two):</u></p> <ol style="list-style-type: none"> a. Leads to rigidity. b. May not work in a dynamic environment. c. Reduces creativity. d. Involves huge costs. e. Time-consuming process. f. Does not guarantee success. | <p>2 marks for definition + (½ mark for limitation ½ x2=1) = 2+1 =3 marks.</p> |
| -- | -- | 14 | <p>Q. Explain by giving three reasons why delegation is important in an organisation.</p> <p><u>Ans. Delegation is important in an organisation because it leads to: (Any three)</u></p> <ol style="list-style-type: none"> 1. Effective management. 2. Employee development. 3. Motivation of employees. 4. Growth facilitation. 5. Better co-ordination. 6. Creation of management hierarchy. <p>(if an examinee has not given the headings as above but has given the correct explanation, full credit should be given)</p> | <p>½ mark for heading + ½ mark for explanation = 1 x 3 = 3 marks</p> |
| -- | -- | 15 | <p>Q. What is meant by production concept of marketing?</p> <p><u>Ans.</u></p> <ul style="list-style-type: none"> ▪ Production concept is based on the belief that profits could be maximised by producing at <u>large scale</u>, thereby <u>reducing the average cost of production</u>. ▪ <u>Availability and affordability of the product</u> are considered to be the key to success of a firm according to this concept. | <p>1 ½ x 2 =3marks</p> |
| 18 | 16 | 16 | <p>Q. Explain the meaning of Financial Planning. Why is it important? Give any two reasons.</p> <p><u>Ans.</u> The process of <u>estimating the fund requirements</u> of a business and <u>specifying the sources of funds</u> is called financial planning.</p> <p style="text-align: center;">OR</p> <p>Financial planning is the preparation of a financial blueprint of an organisation's future operations.</p> <p><u>Financial planning is important because (any two):</u></p> <ol style="list-style-type: none"> (i) It helps the company to prepare for the future. (ii) It helps in avoiding business shocks and surprises. (iii) It helps in co-ordinating various business functions. (iv) It helps in reducing waste, duplication of efforts, gaps in planning and confusion. (v) It links the present with the future. (vi) It provides a link between investment and financing decisions. (vii) Financial plan serves as a control technique. | <p>2 marks for meaning + 1 mark for each reason 1 x 2 =2 =2 + 2 =4marks</p> |

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| | | | (viii) It serves as a guide in developing a sound capital structure so as to maximise returns to the shareholders. | |
| 19 | 20 | 17 | <p>Q. State any two advantages and two limitations of informal organisation.</p> <p>Ans. Advantages of informal organisation (Any two):</p> <ol style="list-style-type: none"> 1. It leads to faster spread of information as well a quick feedback. 2. It fulfills the social needs of the members. 3. It contributes towards fulfillment of organisational objectives by compensating for inadequacies in the formal organisation. <p>Disadvantages of informal organisation (Any two):</p> <ol style="list-style-type: none"> 1. It leads to spread of rumours. 2. It may lead to resistance to change. 3. It pressurizes members to conform to group expectations which may be against organisational interest. | <p>(1 x 2 = 2 marks + 1 x 2 = 2 marks) = 2 + 2 = 4 marks</p> |
| 17 | 18 | 18 | <p>Q. Blue Birds Ltd. Offers to its employees to issue shares at a price which is less than the market price.</p> <p>(i) Name and explain the type of incentive offered to the employees.</p> <p>(ii) Explain one more incentive of the same category.</p> <p>Ans. (i) Stock Option. It is a financial incentive offered to the employees to create a feeling of ownership among employees and make them to contribute for the growth of the organisation.</p> <p>(ii) Explanation of any one of the following incentives:</p> <ol style="list-style-type: none"> 1. Pay and Allowances. 2. Productivity linked wage incentives. 3. Bonus. 4. Profit Sharing. 5. Retirement Benefits. 6. Perquisites. | <p>(½ mark for naming the incentive + 1 ½ mark for its explanation = 2 marks) + (1/2 mark for naming the incentive + 1 ½ mark for its explanation = 2 marks) = 2+2 = 4 marks</p> |
| -- | -- | 19 | <p>Q. Explain 'Method' and 'Rule' as types of plans.</p> <p>Ans. Method</p> <ul style="list-style-type: none"> ▪ Method is the prescribed way or manner in which a task has to be performed. ▪ It deals with a task comprising one step of a procedure. <p>Rule</p> <ul style="list-style-type: none"> ▪ A rule is a statement that specifies what is to be done or not to be done ▪ A rule does not allow for any flexibility or discretion. ▪ A rule prescribes penalty for violation. | <p>2 marks + 2 marks = 2+2 = 4marks</p> |
| -- | -- | 20 | <p>Q. Explain the following 'Rights' of consumers:</p> <p>(i) Right to be Informed. (ii) Right to consumer education.</p> <p>Ans. (i) Right to be Informed : The consumer has a right to have complete information about the product he intends to buy such as, ingredients, date of</p> | |

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| | | | <p>manufacture, price, quantity etc. It is because of this reason that the legal framework in India requires the manufacturers to provide such information on the package and label of the product.</p> <p>(ii) Right to consumer education. The consumer has the right to acquire knowledge and to be a well informed consumer. He should be aware about his rights and the reliefs available to him in case of a product or service falling short of his expectations.</p> | <p>2 + 2 = 4 marks</p> |
| 25 | 21 | 21 | <p>Q. 'An important task in the marketing of goods relates to designing the label as it provides useful and detailed information about the product.' In the light of the above statement, draw a label for a liquid soap and highlight the important information to be provided on it.</p> <p>Ans. The following information is to be <u>PROVIDED ON THE LABEL IN ANY FORM</u> (Any five):</p> <div style="border: 1px solid black; padding: 10px; margin: 10px 0;"> <ol style="list-style-type: none"> 1. Name of the product 2. Name of the manufacturer. 3. Address of the manufacturer. 4. Net weight when packed. 5. Manufacturing date. 6. Expiry date. 7. Maximum retail price (MRP) 8. Batch number. 9. Directions for use 10. Contents </div> <p>(if an examinee has not given any of the headings as above but has given some other correct information, full credit should be given)</p> | <p>1 mark for each information = 1 x 5 5marks</p> |
| 23 | -- | 22 | <p>Q. Explain by giving any five reasons why understanding of business environment is important for managers.</p> <p>Ans. <u>Understanding of business environment is important for managers because (Any five):</u></p> <ol style="list-style-type: none"> 1. It helps to identify opportunities and getting the first mover advantage. 2. It helps to identify threats and early warning signals. 3. It helps in tapping useful resources. 4. It helps in coping with rapid changes. 5. It helps in assisting in planning and policy formulation. 6. It helps in improving performance. <p>(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)</p> | <p>½ mark for the heading + ½ mark for the explanation = 1 x 5 = 5 marks</p> |
| 21 | 22 | 23 | <p>Q. "Art is concerned with personal application of knowledge." In the light of this statement compare all the features of art with management and prove that it is an art.</p> <p>Ans. "Art is concerned with personal application of knowledge". Management is an art because of the following</p> | |

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| | | <p>reasons (Any three):</p> <p>1. <u>Existence of theoretical knowledge</u>. As in art, in management too, there is a lot of literature available in various areas of management which the manager has to specialise in.</p> <p>2. <u>Personalised application</u>. Like in any art, in management too, a manager applies his acquired knowledge in a personalised and unique manner.</p> <p>3. <u>Based on continuous practice</u>. Management satisfies this criteria as a manager gains experience through regular practice and becomes more effective.</p> <p>4. <u>Creativity</u>. Like any other art, a manager after studying various situations, formulates his own theories for use in a given situation. This gives rise to different styles of management.</p> <p>5. <u>Situational</u> As in art, management deals with human beings who behave differently in different situations. Therefore, every situation has to be handled in a different manner.</p> <p>As all the criteria of art are satisfied by management, it qualifies as an art.</p> | <p>1 ½ marks for the explanation of each feature = 1 ½ x 3 = 4 ½ + ½ mark for the conclusion = 4 ½ + ½ =5marks</p> |
| -- | 24 | <p>Q. (i) Name and explain the principle of management which requires judicious application of penalties by the management.</p> <p>(ii) Name and explain the technique of scientific management which helps in establishing interchangeability of manufactured parts and products.</p> <p>Ans. (i) The principle of management is '<u>Discipline</u>'. Discipline is the obedience to organisational rules and employment agreement which are necessary for the working of the organisation. Discipline requires good superiors at all levels, clear and fair agreements and judicious application of penalties.</p> <p>(ii) The technique is '<u>Standardisation</u>'. It refers to the process of setting standards for every business activity- process, raw material, time, product, machinery, methods or working conditions etc.</p> | <p>(1 mark for naming the principle + 1 ½ marks for its explanation = 1 + 1 ½ = 2 ½) + (1 mark for naming the principle + 1 ½ marks for its explanation = 1 + 1 ½ = 2 ½) = 2 ½ + 2 ½ = 5marks</p> |
| -- | 25 | <p>Q. State any five functions of a stock exchange.</p> <p>Ans. <u>Functions of a stock exchange (any five):</u></p> <ol style="list-style-type: none"> 1. It provides liquidity and marketability to existing securities. 2. It helps in determining the price of securities. 3. It ensures safety of transactions. 4. It contributes to economic growth. 5. It helps in spreading equity cult. 6. It provides scope for speculation. <p>(No headings are required in this question)</p> | <p>1 mark for each statement = 1 x 5 =5marks</p> |

Q. What is meant by 'Financing Decision'? State any four factors affecting the financing decision.

Ans. Financing decision is the decision about the quantum of finance to be raised from various long term sources and how much is to be raised from each source.

Factors affecting financing decision are (Any four):

1. Cost of different sources of finance as some sources may be cheaper than others.
2. Risk associated with different sources of finance is different.
3. Higher the floatation costs, less attractive the source.
4. A stronger cash flow position may make debt financing more viable than funding through equity.
5. With higher fixed operating costs, lower fixed financing costs should be opted for.
6. Issue of more equity may lead to dilution of management's control over the business.
7. State of the capital market is considered while taking financing decision as in a depressed capital market, issue of equity shares may be difficult.

OR

What is meant by 'Capital Structure'? State any four factors affecting the choice of capital structure.

Ans. The capital structure means the proportion of debt and equity used for financing the operations of a business.

OR

It refers to the mix between owner's funds and borrowed funds.

Factors which affect the capital structure of a company are: (any four)

1. Cash Flow Position must be considered to meet fixed payment obligations associated with debt.
2. Issue of more equity may lead to dilution of management's control over the business.
3. If the firm uses its debt potential to the full, it loses flexibility to issue further debt
4. If the stock markets are bullish, use of equity is preferred as they are more easily sold even at a higher price.
5. While deciding the capital structure, the regulatory framework provided by law should be considered.
6. If a firm's business risk is lower, its capacity to use debt is higher and vice versa.
7. Floatation cost of different sources is considered as cost of raising equity is higher.
8. The higher the Interest Coverage Ratio (ICR), lower is the risk of company failing to meet its interest obligations.
9. A higher Debt Service Coverage Ratio (DSCR) indicates the company's potential to increase debt component in its capital structure.
10. If the Return on Investment (ROI) of the company is higher than the interest on debt, its ability to use debt is

2 marks for meaning
+1 mark for each factor
1 x 4 =
4marks
2+4= 6marks

OR

2 marks for meaning
+
1 mark for each factor
1 x 4 =
4marks
=2+4
=6marks

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| | | | <p>greater.</p> <p>11. A firm's ability to borrow (<u>cost of debt</u>) at a lower rate, increase its capacity to employ higher debt.</p> <p>12. <u>Cost of Equity</u> increase when debt is used beyond a certain point.</p> <p>13. A higher <u>tax rate</u> makes debt relatively cheaper and more attractive.</p> <p>14. <u>Capital Structure of other companies</u> is also a useful guideline while planning capital structure.</p> | |
| 26 | 29 | 27 | <p>Q. Explain 'Staffing' as a function of management. Also explain by giving any four reasons why proper staffing is required in an organisation.</p> <p style="text-align: center;">OR</p> <p>Explain the process of selection of employees.</p> <p>Ans. Staffing has been described as the management function of filling and keeping filled the positions in the organisation structure.</p> <p style="text-align: center;">OR</p> <p>Staffing is that part of the process of management which is concerned with making available, utilising and maintaining a satisfactory and satisfied work force.</p> <p><u>Proper staffing is required in an organisation because: (any four)</u></p> <ul style="list-style-type: none"> (a) It helps in discovering and selecting competent work force. (b) It ensures higher performance by placing the right person on the right job. (c) It ensures survival and growth of the enterprise through succession planning for managers. (d) It helps to ensure optimum utilisation of human resources (e) It improves job satisfaction and morale of employees through objective assessment and fair rewarding of their contribution. <p>(if an examinee has not given the headings as above but have given the correct explanations, full credit should be given)</p> <p style="text-align: center;">OR</p> <p>Ans. <u>The process of selection has the following steps:</u></p> <ol style="list-style-type: none"> 1. Preliminary screening. 2. Selection tests and employment interview. 3. Reference and background checks. 4. Selection decision. 5. Medical examination 6. Job offer and contract of employment. <p>(if an examinee has not combined the steps as above but has given all the correct steps, full credit should be given)</p> | <p>2marks for the meaning + 1 mark for each reason (1 x 4 =4 marks) + 2 + 4 =6 marks</p> <p style="text-align: center;">OR</p> <p>½ mark for naming each step + ½ mark for explanation = 1 x 6 =6marks</p> |

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| 30 | 28 | <p>28 Q. Name that element of the marketing mix which affects the revenue and profits of the firm. Explain any five factors which help in determining that element.</p> <p style="text-align: center;">OR</p> <p>“Generally consumers prefer to buy goods directly from the producers but it is not always possible.” Give reasons. Why is it so by explaining four different factors responsible for this?</p> <p>Ans. The element of the marketing mix which affect the revenue and profits of the firm is PRICE.</p> <p><u>Factors which help in price determination are (Any five):</u></p> <ol style="list-style-type: none"> 1. Product cost 2. Utility and demand. 3. Extent of competition in the market. 4. Government and legal regulations. 5. Pricing objectives 6. Marketing methods used. <p style="text-align: center;">OR</p> <p>Generally consumers prefer to buy goods directly from the producers but it is not always possible. This is so because of the following factors (Any four):</p> <ol style="list-style-type: none"> 1. <u>Product related factors</u> – Goods which are standardized, are non perishable, non complex or have a low unit value are sold by the producers through indirect channels. 2. <u>Company characteristics</u> – When the financial strength of the company is not very strong or when the company does not want control over the channel members, it may go in for indirect channels. 5. <u>Competitive factors</u> – The company may decide to use indirect channel either to go with the competitor or be different from them 4. <u>Market factors</u>- When the size of the market is large, consumers are widely dispersed or the order size is small, the company may decide to use indirect channels. 5. <u>Environmental factors</u> –Keeping in mind the economic conditions and legal constraints, a company may decide to use indirect channels. | <p>1 mark for naming the element + (½ mark for naming the factor + ½ mark for explanation =1 x 5 =5 marks) =1 + 5 =6marks OR</p> <p>½ mark for naming the factor + 1 mark for explanation =1 ½ x 4 =6 marks</p> |
| 27 | 30 | <p>29 Q. “Leadership is key factor in making any organisation successful.” Do you agree with this statement? Give any four reasons in support of your answer.</p> <p style="text-align: center;">OR</p> <p>“Every action in the organisation is initiated through directing.” Explain any four points of importance of directing in the light of this statement.</p> <p>Ans. Yes, I agree with the above statement. <u>Leadership is a key factor in making any organisation successful because it (Any four):</u></p> <ol style="list-style-type: none"> (a) Influences the behaviour of employees (b) Provides confidence, support and encouragement to the employees | <p>½ mark for each heading + 1 mark for each explanation 1 ½ x 4 =6marks</p> |

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| | | | <p>(c) Helps in overcoming resistance to change. (d) Helps in handling conflicts effectively (e) Provides training to subordinates. (if an examinee has not given the headings as above but have given the correct explanations, full credit should be given)</p> <p style="text-align: center;">OR</p> <p>Ans. The points which emphasise the importance of directing are as follows: (any four)</p> <p>(a) It helps to initiate action. (b) It integrates employees' efforts. (c) It guides employees to realise their potential. (d) It facilitates changes. (e) It brings stability and balance in the organisation.</p> | <p style="text-align: center;">Or</p> <p>½ mark for each heading + 1 mark for each explanation 1 ½ x 4 = 6marks</p> |
| 28 | 26 | 30 | <p>Q. Explain the meaning of 'Budgetary Control.' Why is it considered an important technique of controlling?</p> <p style="text-align: center;">OR</p> <p>Q. Explain any four points highlighting the importance of controlling.</p> <p>Ans. Budgetary Control is a technique of managerial control in which all <u>operations</u> are <u>planned in advance</u> in the form of budgets. The actual results are <u>compared</u> with budgetary standards and necessary actions are taken to ensure accomplishment of organisational objectives. Budgetary control is considered an important technique of controlling because:</p> <p>(a) It focuses on specific and time-bound targets. (b) It is a source of motivation. (c) It helps in optimum utilisation of resources by proper allocation. (d) It helps to achieve coordination. (e) It facilitates management by exception.</p> <p style="text-align: center;">OR</p> <p><u>Importance of controlling (Any four):</u></p> <ol style="list-style-type: none"> 1. It helps in accomplishing organisational goals. 2. It helps in making efficient use of resources. 3. It ensures order and discipline. 4. It improves employee motivation. 5. It helps in judging accuracy of standards. 6. It facilitates co-ordination in action. <p>(if an examinee has not given the headings as above but has given the correct explanation, full credit should be given)</p> | <p>1 mark for meaning + ½ mark for each heading + ½ mark for explanation = 1x5 1+5= 6marks</p> <p style="text-align: center;">OR</p> <p>½ mark for each heading + 1 mark for each explanation (1 ½ x 4 = 6 marks)</p> |