# MARKING SCHEME -SAMPLE PAPER 2 BUSINESS STUDIES (054)

# 2023-24

	Answers:	Marks
1.	a)Return on Investment	1
2.	b)management is a dynamic function	1
3.	c) it helps in improving performance	1
4.	c) setting performance standards	1
5.	c) both efficient and effective	1
6.	b) technological and social environment	1
7.	d) controlling	1
8.	d) divisional structure and formal organisation	1
9.	d) it is very difficult to predict future happenings especially when environmental changes are taking place too frequently.	1
10.	c) ii,iv,i,iii	1
11.	b)Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)	1
12.	c)increase in real estate prices	1
13.	b) planning does not guarantee success	1
14.	c) delegation	1
15.	a). sample checking of certain random pieces for quality.	1
16.	b)Aii, Biv, Ci, Diii	1
17.	b)controlling is prescriptive whereas planning is evaluative	1
18.	d) organising	1
19.	b) organisational and social objective	1
20.	c) policy and objective	1

21. Steps which must be carried out by Atlantic Pharma Ltd to fill in the new job position are

1)Estimating the Manpower Requirements-it is important to translate the manpower requirements into specific job description and the desirable profile of its occupant — the desired qualifications, experience, personality characteristics and so on.

2)Recruitment-Recruitment may be defined as the process of searching for prospective employees and stimulating them to apply for jobs in the organisation.

3)Selection-Selection is the process of choosing from among the pool of prospective job candidates developed at the stage of recruitment.

1/2 mark each for identifying and 1/2 mark each for stating 3 steps

22. The functions of Middle level Management are:

- (i) interpret the policies framed by top management
- (ii) ensure that their department has the necessary personnel,
- (iii) assign necessary duties and responsibilities to them,
- (iv) motivate them to achieve desired objectives and
- (v) cooperate with other departments for smooth functioning of the organisation.

OR

Features of coordination are:

- (i) Coordination integrates group efforts: Coordination unifies unrelated or diverse interests into purposeful work activity. It gives a common focus to group effort to ensure that performance is as it was planned and scheduled.
- (ii) Coordination ensures unity of action: The purpose of coordination is to secure unity of action in the realisation of a common purpose. It acts as the binding force between departments and ensures that all action is aimed at achieving the goals of the organisation.
- (iii) Coordination is a continuous process: Coordination is not a one-time function but a continuous process. It begins at the planning stage and continues till controlling.
- (iv) Coordination is an all pervasive function: Coordination is required at all levels of management due to the interdependent nature of activities of various departments. It integrates the efforts of different departments and different levels.
- (v) Coordination is the responsibility of all managers: Coordination is the function of every manager in the organisation. Top level managers need to coordinate with their subordinates to ensure that the overall policies for the organisation are duly carried out. Middle level management coordinates with both the top level and first line managers. Operational level management coordinates the activities of its workers to ensure that work proceeds according to plans.
- (vi) Coordination is a deliberate function: A manager has to coordinate the efforts of different people in a conscious and deliberate manner.

1 mark each for stating 3 functions

1 mark each for stating any 3 features

## 23. a) PLANNING PROVIDES THE BASIS OF CONTROL

Planning provides the goals or standards against which actual performance is measured. By comparing actual performance with some standard, managers can know whether they have actually been able to attain the goals. If there is any deviation it can be corrected. Therefore, we can say that planning is a prerequisite for controlling. If there were no goals and standards, then finding deviations which part of controlling would not be possible.

b) HELPS IN TAKING RATIONAL DECISIONS

Planning helps the manager to look into the future and make a choice from amongst various alternative courses of action. The manager has to evaluate each alternative and select the most viable proposition. Planning involves setting targets and predicting future conditions, thus helping in taking rational decisions.

#### OR

## a) FORWARD LOOKING FUNCTION

Planning essentially involves looking ahead and preparing for the future. It implies peeping into the future, analysing it and predicting it. Planning is, therefore, regarded as a forward looking function based on forecasting. Through forecasting, future events and conditions are anticipated and plans are drawn accordingly.

#### b)MENTAL EXERCISE

Planning requires application of the mind involving foresight, intelligent imagination and sound judgement. It is basically an intellectual activity of thinking rather than doing, because planning determines the action to be taken. However, planning requires logical and systematic thinking rather than guess work or wishful thinking.

1 ½ marks each for correct explanation

1 ½ marks each for correct explanation

- 24. Three other activities that will ensure availability of products at the right time, at the right place and in right quantity are:
  - 1. Order Processing: A good physical distribution system should provide for an accurate and speedy processing of orders, in the absence of which, goods would reach the customers late or in wrong quantity or specifications. This would result in customer dissatisfaction, with the danger of loss of business and goodwill.
  - 2. Transportation: Transportation is the means of carrying goods and raw materials from the point of production to the point of sale. It is important because unless the goods are physically made available, the sale cannot be completed.
  - 3. Warehousing: Warehousing refers to the act of storing and assorting products in order to create time utility. Generally larger the number of warehouses a firm has, lesser would be the time taken in serving customers at different locations but greater would be the cost of warehousing and vice-versa. Thus the firm has to strike a balance between the cost of warehousing and the level of customer service.

Incentive provided to the employees by Lilly:

25. Productivity linked wage incentive-Several wage incentive plans aims at linking payment of wages to increase in productivity at individual or group level

Incentive provided to the employees by Milly:

Employee Recognition Programme-Recognition means acknowledgment with a show of appreciation. When such appreciation is given to the work performed by employees, they feel motivated to perform/work at a higher level.

26. Duties performed by Human Resource Manager are:

- 1)Recruitment, i.e., search for qualified people
- 2) Analysing jobs, collecting information about jobs to prepare job descriptions
- 3) Developing compensation and incentive plans.
- 4) Training and development of employees for efficient performance and career growth.
- 5) Maintaining labour relations and union management relations.
- 6) Handling grievances and complaints.
- 7)Providing for social security and welfare of employees.
- 8)Defending the company in lawsuits and avoiding legal complications.

OR

Staffing must be performed by all organisations because

- (i) helps in discovering and obtaining competent personnel for various jobs
- (ii) makes for higher performance, by putting right person on the right job
- (iii) ensures the continuous survival and growth of the enterprise through the succession planning for managers
- (iv) helps to ensure optimum utilisation of the human resources. By avoiding overmanning, it prevents under -utilisation of personnel and high labour costs. At the same time it avoids disruption of work by indicating in advance the shortages of personnel

1 mark each for stating any 3 points

1 mark each for identifying and 1 mark each for stating

1 mark each for stating any 4 points

1 mark each for stating any 4 points

(v) improves job satisfaction and morale of employees through 27. objective assessment and fair reward for their contribution.

**Features of Informal Organisation are** 

- (a) An informal organisation originates from within the formal organisation as a result of personal interaction among employees.
- (b) The standards of behaviour evolve from group norms rather than officially laid down rules and regulations.
- (c) Independent channels of communication without specified direction of flow of information are developed by group members.
- (d) It emerges spontaneously and is not deliberately created by the management.
- (e) It has no definite structure or form because it is a complex network of social relationships among members.
- a)The working capital requirement of Ashutosh Savarkar is low as the production cycle is shorter
- b)Factors that should be considered before determining the working capital requirement are:
- 1. Nature of Business: A trading organisation usually needs a smaller amount of working capital compared to a manufacturing organisation. This is because there is usually no processing. Similarly, service industries which usually do not have to maintain inventory require less working capital.
- 2. Scale of Operations: For organisations which operate on a higher scale of operation, the quantum of inventory and debtors required is generally high. Such organisations, therefore, require large amount of working capital
- 3. Business Cycle:In case of a boom, the sales as well as production are likely to be larger and, therefore, a larger amount of working capital is required. As against this, the requirement for working capital will be lower during the period of depression as the sales as well as production will be small.
- 4. Seasonal Factors: In peak season, because of higher level of activity, larger amount of working capital is required. As against this, the level of activity as well as the requirement for working capital will be lower during the lean season.
- 5.Credit Allowed: Different firms allow different credit terms to their customers. A liberal credit policy results in higher amount of debtors, increasing the requirement of working capital.
- 6. Credit Availed: Just as a firm allows credit to its customers it also may get credit from its suppliers. To the extent it avails the credit on purchases, the working capital requirement is reduced.
- 7. Operating Efficiency: Firms manage their operations with varied degrees of efficiency. Such efficiencies may reduce the level of raw materials, finished goods and debtors resulting in lower requirement of working capital.
- 8. Availability of Raw Material: If the raw materials and other required materials are available freely and continuously, lower stock levels may suffice. In addition, the time lag between the placement of order and the actual receipt of the materials (also called lead time) is also relevant.
- 9. Growth Prospects: If the growth potential of a concern is perceived to be higher, it will require a larger amount of working

1 mark each for stating any 4 points

1 mark for identifying and 1 mark each for stating any 3 points

capital so that it is able to meet higher production and sales targets whenever required.

- 10. Level of Competition: Higher level of competitiveness may necessitate larger stocks of finished goods to meet urgent orders from customers. This increases the working capital requirement.
- 11. Inflation: With rising prices, larger amounts are required even to maintain a constant volume of production and sales. The working capital requirement of a business thus, become higher with higher rate of inflation.

Directing is essential for effective and efficient functioning of the organisation due to the following reasons:

- (i) Directing helps to initiate action by people in the organisation towards attainment of desired objectives.
- (ii) Directing integrates employees' efforts in the organisation in such a way that every individual effort contributes to the organisational performance. Thus, it ensures that the individuals work for organisational goals.
- (iii) Directing guides employees to fully realise their potential and capabilities by motivating and providing effective leadership.
- (iv) Directing facilitates introduction of needed changes in the organisation. Effective directing through motivation, communication and leadership helps to reduce such resistance and develop required cooperation in introducing changes in the organisation.
- (v) Effective directing helps to bring stability and balance in the organisation since it fosters cooperation and commitment.

OR

29.

Measures to overcome communication barriers:

- (i) Clarify the ideas before communication: The problem to be communicated to subordinates should be clear in all its perspective to the executive himself.
- (ii) Communicate according to the needs of receiver: The level of understanding of receiver should be crystal clear to the communicator. Manager should adjust his communication according to the education and understanding levels of subordinates.
- (iii) Consult others before communicating: Before actually communicating the message, it is better to involve others in developing a plan for communication.
- (iv) Be aware of languages, tone and content of message: The contents of the message, tone, language used, manner in which the message is to be communicated are the important aspects of effective communication.
- (v) Convey things of help and value to listeners: While conveying messages to others, it is better to know the interests and needs of the people with whom one is communicating.
- (vi) Ensure proper feedback: The communicator may ensure the success of communication by asking questions regarding the message conveyed.
- (vii) Communicate for present as well as future: Generally, communication is needed to meet the existing commitments to maintain consistency, the communication should aim at future goals of the enterprise also.

(viii)Follow up communications: There Should be regular follow up and review on the instructions given to subordinates.

1 mark for stating any 4 points

1 mark for stating any 4 points

		y 4 points of distinction between the change  New Issue Market		
	i	There is sale of securities by new companies or further (new issues of securities by existing companies to investors).	There is trading of existing shares only.	
30.	ii	Securities are sold by the company to the investor directly (or through an intermediary).	Ownership of existing securities is exchanged between investors. The company is not involved at all.	
	iii	The flow of funds is from savers to investors, i.e. the primary market directly promotes capital formation.	Enhances encashability (liquidity) of shares, i.e. the secondary market indirectly promotes capital formation.	1 mark each for any 4 points of
	iv	Only buying of securities takes place in the primary market, securities cannot be sold there	Both the buying and the selling of securities can take place on the stock exchange.	distinction
	V	Prices are determined and decided by the management of the company.	Prices are determined by demand and supply for tमॉॅंhe security.	
	vi	There is no fixed geographical location.	Located at specified places.	
31.	(i) prii ins will ma prii (ii) Res giv ma dec imp pov (iii) tho blir prii obj (iv	nificance of Principles of Manager Providing managers with use nciples of management providights into real world situations.  add to their knowledge, a nagerial situations and circums nciples increase managerial efficiences with a second be put to use in secources should be put to use in secources should be put to use in secources should be put to use in secources and actions. Effective personalisation of managerial wer is used with due discretion. Scientific decisions: Manaughtful decision-making. They not faith. Management decision ciples are free from bias and prective assessment of the situation of managerial were in the nature of general strengths.	11/2 Marks each for explaining any 4 points	

modified and as such help managers to meet changing requirements of the environment.

- (v) Fulfilling social responsibility: The increased awareness of the public, forces businesses especially limited companies to fulfill their social responsibilities.
- vi) Management training, education and research: Principles of management are at the core of management theory. As such these are used as a basis for management training, education and research.

#### OR

### **Features of Principles of Management**

- (i) Universal applicability: The principles of management are intended to apply to all types of organisations, business as well as non-business, small as well large, public sector as well as private sector, manufacturing as well as the services sectors. However, the extent of their applicability would vary with the nature of the organisation, business activity, scale of operations and the like.
- (ii) General guidelines: The principles are guidelines but do not provide readymade, straitjacket solutions to all managerial problems. This is so because real business situations are very complex and dynamic and are a result of many factors.
- (iii)Formed by practice and experimentation: The principles of management are formed by experience and collective wisdom of managers as well as experimentation.
- (iv)Flexible: The principles of management are not rigid prescriptions, which have to be followed absolutely. They are flexible and can be modified by the manager when the situation so demands.
- (v) Mainly behavioural: Management principles aim at influencing behaviour of human beings. Therefore, principles of management are mainly behavioural in nature.
- (vi) Cause and effect relationships: The principles of management are intended to establish relationship between cause and effect so that they can be used in similar situations in a large number of cases. The principles of management are less than perfect since they mainly apply to human behaviour.
- vii) Contingent: The application of principles of management is contingent or dependent upon the prevailing situation at a particular point of time. The application of principles has to be changed as per requirements.
- a. Government and other regulations
- b. Other factors affecting price of a product are
- 1. Product cost: One of the most important factor affecting price of a product or service is its cost. This includes the cost of producing, distributing and selling the product. The cost sets the minimum level or the floor price at which the product may be sold.
- 2. The Utility and Demand: While the product costs set the lower limits of the price, the utility provided by the product and the intensity of demand of the buyer sets the upper limit of price, which a buyer would be prepared to pay. The buyer may be ready to pay up to the point where the utility from the product is at least equal to the sacrifice made in terms of the price paid. According

11/2 Marks each for explaining any 4 points

- 32. to the law of demand, consumers usually purchase more units at a low price than at a high price. 3. Extent of Competition in the Market: The price will tend to reach the upper limit in case there is lesser degree of competition while under conditions of free competition, the price will tend to be set at the lowest level.
  - 4. Pricing Objectives: If the firm decides to maximise profits in the short run, it would tend to charge maximum price for its products. But if it is to maximise its total profit in the long run, it would opt for a lower per unit price so that it can capture larger share of the market.
  - 5. Marketing Methods Used: Price fixation process is also affected by other elements of marketing such as distribution system, quality of salesmen employed, quality and amount of advertising, sales promotion efforts, the type of packaging, product differentiation, credit facility and customer services provided.

1 mark for identifying and 1 mark each for stating 5 factors.

- a.Concept identified is Financial Planning.
- **b.Significance of Financial Planning**
- (i) It helps in forecasting what may happen in future under different business situations. By doing so, it helps the firms to face the eventual situation in a better way. In other words, it makes the firm better prepared to face the future.
- (ii) It helps in avoiding business shocks and surprises and helps the company in preparing for the future.
- (iii) If helps in coordinating various business functions, e.g., sales and production functions, by providing clear policies and procedures.
- (iv) Detailed plans of action prepared under financial planning reduce waste, duplication of efforts, and gaps in planning.
- (v) It tries to link the present with the future.
- (vi) It provides a link between investment and financing decisions on a continuous basis.
- (vii) By spelling out detailed objectives for various business segments, it makes the evaluation of actual performance easier.
- a)The Consumer protection Act 2019 seeks to protect and promote the consumers' interest through speedy and inexpensive redressal of their grievances.
- b)Responsibilities of a consumer are:

33.

- (i) Be aware about various goods and services available in the market so that an intelligent and wise choice can be made.
- (ii) Buy only standardised goods as they provide quality assurance. Thus, look for ISI mark on electrical goods, FPO mark on food products, Hallmark on jewellery, etc.
- (iii) Learn about the risks associated with products and services, follow manufacturer's instructions and use the products safely.
- (iv) Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc.
- (v) Assert yourself to ensure that you get a fair deal.
- (vi) Be honest in your dealings. Choose only from legal goods and services and discourage unscrupulous practices like black-marketing, hoarding, etc.
- (vii) Ask for a cash memo on purchase of goods or services. This would serve as a proof of the purchase made.

1 mark for identifying and 1 mark each for stating

- 34. (viii) File a complaint in an appropriate consumer forum in case of a shortcoming in the quality of goods purchased or services availed. Do not fail to take an action even when the amount involved is small.
  - (ix) Form consumer societies which would play an active part in educating consumers and safeguarding their interests.
  - (x) Respect the environment. Avoid waste, littering and contributing to pollution.

OR

a)Scope of Consumer Protection Act ,2019

It extends to the whole of India. It is applicable to all types of businesses whether a manufacturer or a trader and whether supplying goods or providing services including e-commerce firms.

b)Role of Non Governmental Organisations are

- (i) Educating the general public about consumer rights by organising training programmes, seminars and workshops. (ii) Publishing periodicals and other publications to impart knowledge about consumer problems, legal reporting, reliefs available and other matters of interest.
- (iii) Carrying out comparative testing of consumer products in accredited laboratories to test relative qualities of competing brands and publishing the test results for the benefit of consumers.
- (iv) Encouraging consumers to strongly protest and take action against unscrupulous, exploitative and unfair trade practices of sellers.
- (v) Providing legal assistance to consumers by way of providing aid, legal advice etc. in seeking legal remedy.
- (vi) Filing complaints in appropriate consumer courts on behalf of the consumers.
- (vii) Taking an initiative in filing cases in consumer courts in the interest of the general public, not for any individual.

1 mark for stating the purpose and1 mark each for stating any 5 responsibilities.

1 mark for stating the scope and 1 mark each for stating any 5 points