



MOCK TEST-1
CLASS-XII
(BUSINESS STUDIES)

SOLUTIONS

1. (b) Effective only [1]
2. (a) Expansion of Transportation and communication services in Delhi. [1]
3. (a) Divisional structure [1]
4. (b) Technological Environment [1]
5. (c) Personalised application [1]
6. (c) Flexible [1]
7. (d) Management is an intangible force [1]
8. (c) Coordination is the responsibility of all managers. [1]
9. (b) Job Enrichment [1]
10. (c) Campus Recruitment [1]
11. (c) The standards of behaviour evolve from group norms rather than officially laid down rules and regulations. [1]
12. (c) Both the statements are true. [1]
13. (a) a (ii), b (iii), c (i) [1]
14. (c) Capital structure [1]
15. (b) Standardisation and Grading [1]
16. (c) Prices are determined by demand and supply of the security. [1]
17. (c) When the firm wants to cover high cost of Research and Development to attain product quality leadership. [1]

18. (d) A person who obtains goods for resale purposes. [1]
19. (c) Right to seek redressal [1]
20. (d) Pricing of securities [1]
21. (i) Division of work
- According to the principle of Division of Work, work is divided into small tasks/ jobs.
 - A trained specialist who is competent is required to perform each job, leading to specialisation. This results in effective and efficient output.
- (ii) Order
- The principle of order states that 'A place for everything (everyone) and everything (everyone) in its (her/his) place'. Essentially it means orderliness.
 - If there is a fixed place for everything and it is present there, then there will be no hindrance in the activities of business/factory. This will lead to increased productivity and efficiency. [3]
22. Incentives offered by the company
- (i) Perquisites
Perquisites such as car allowance, housing and medical aid etc., are offered to employees over and above the salary to provide motivation to them.
- (ii) Retirement benefits
Retirement benefits such as provident fund, pension and gratuity, which provide financial security to employees after their retirement, act as an incentive when they are in service in the organisation.
- (iii) Career Advancement Opportunity
Career Advancement Opportunity includes opportunities provided to employees to improve their skills and be promoted to the higher-level jobs. [3]
23. Vestibule Training
- It is an off-the-job method of training in which employees learn their jobs on the equipment they will be using, but the training is conducted away from the actual work floor.
 - Actual work environments are created in a classroom and employees use the same materials, files and equipment.
 - This is usually done when employees are required to handle sophisticated machinery and equipment.
- Or**
- Benefits of training to the employees
- (i) Improved skills and knowledge due to training lead to better career of the individual.
- (ii) Increased performance by the individual helps him to earn more.
- (iii) Training makes the employee more efficient to handle machines, thus, less prone to accidents.
- (iv) Training increases the satisfaction and morale of employees. [3]
24. Importance of Financial Planning **(Any three)**
- (i) It helps in forecasting what may happen in future under different situations and face the eventual situation in a better way.
- (ii) It helps in avoiding business shocks and surprises and helps the company in preparing for the future.
- (iii) It helps in co-ordinating various business functions, like sales and production functions, by providing clear policies and procedures.
- (iv) It helps to 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) It makes the evaluation of actual performance easier.

Or

Factors affecting Requirement of Fixed Capital

(Any three)

- (i) Nature of business as a trading concern needs lower investment in fixed assets compared with a manufacturing organisation.
- (ii) Scale of operation as a large organisation operating at a higher scale needs higher investment in fixed assets as compared to a small organisation.
- (iii) The choice of technique is a factor affecting requirement of fixed capital as a capital-intensive organisation requires higher investment in plant, whereas a labour-intensive organisation requires less investment in fixed assets.
- (iv) Higher investment in fixed assets may be required in certain industries where assets become obsolete sooner and need to be replaced faster due to technology upgradation.
- (v) Higher growth of an organisation generally requires higher investment in fixed assets, consequently larger fixed capital.
- (vi) With diversification, fixed capital requirement increases as more investment is to be made in fixed assets.
- (vii) The financing alternatives affect the requirement of fixed capital as availability of leasing facilities may reduce the funds required to be invested in fixed assets as compared to buying an asset.
- (viii) Collaboration reduces the level of investment in fixed assets as organisations share each other's facilities.

[3]

25. First four steps in Selection Process:

- (i) Preliminary Screening: It helps to eliminate unqualified or unfit job seekers, based on the information supplied in the application forms.
- (ii) Selection Tests: Selection tests attempt to measure certain characteristics of individuals like aptitude, intelligence, etc.
- (iii) Employment Interview: Interview is a formal, in-depth conversation conducted to evaluate the applicant's suitability for the job.
- (iv) Reference and Background Checks: Employers contact references specified by the applicant for the purpose of verifying information and gaining additional information on an applicant.

Or

Benefits of using Internal Sources

(Any four)

- (i) Employees are motivated to improve their performance through learning and practice and remain satisfied with their jobs.
- (ii) It simplifies the process of selection and placement since the candidates are already known to the organisation.
- (iii) People recruited from within the organisation do not need induction training. Transfer is a tool of training the employees to prepare them for higher jobs.
- (iv) Transfer has the benefit of shifting workforce from surplus departments to those where there is shortage of staff.
- (v) Filling jobs internally is cheaper as compared to getting candidates from external sources. **[4]**

26. Importance of Controlling Function (any two with explanation)

- (i) Accomplishing organisational goals
- (ii) Judging accuracy of standards
- (iii) Making efficient use of resources
- (iv) Improving employee motivation
- (v) Ensuring order and discipline
- (vi) Facilitating coordination in action

Or

Relationship between 'planning' and 'controlling'

(Any two with explanation)

- (i) Controlling takes place on the basis of standards developed by planning.
- (ii) Planning without controlling is meaningless as controlling ensures that the events conform to plans.
- (iii) Planning prescribes an appropriate course of action for achieving objectives whereas controlling evaluates whether decisions have been translated into desired action or not.
- (iv) Planning and controlling are both forward-looking as well as looking back. **[4]**

27. (i) Autocratic or Authoritarian style
An autocratic leader gives orders and expects his subordinates to obey those orders.
- (ii) Autocratic style can be effectively used by a manager in the following situations:
- (a) Where the supervisor is responsible for production on time and has to ensure labour productivity.
 - (b) where quick decision-making is needed. **[4]**

28. Dividend Decision

Factors affecting Dividend Decision

(Any three)

- (i) Amount of Earnings affect dividend as they are paid out of current and past earnings.
- (ii) A company having stable earnings is in a better position to declare higher dividends as compared to a company with unstable earnings.
- (iii) Companies generally follow a policy of stabilising dividend per share and the increase in dividend is generally made when the earning potential goes up.
- (iv) Companies having good growth opportunities retain more money out of their earnings so as to finance the required investment and the dividend is, therefore, smaller.
- (v) Availability of enough cash in the company is necessary for declaration of dividend.
- (vi) If shareholders prefer that at least a certain amount is paid as dividend, the companies are likely to declare the same.
- (vii) If tax on dividend is higher, it is better to pay less by way of dividends as compared to low Dividend Distribution Tax.
- (viii) The possible impact of dividend policy on the equity share price or the way the stock market will react to it is an important factor considered by the management while taking a decision about it.
- (ix) Large and reputed companies generally have easy access to the capital market, and therefore, may depend less on retained earnings to finance their growth, and therefore, pay high dividends.
- (x) Certain legal constraints like provisions of the Companies Act place restrictions on pay-outs as dividends, which must be adhered to while declaring the dividend.
- (xi) The companies are required to ensure that the dividend pay-out does not violate the terms of any contract, like a loan agreement, in this regard. **[4]**

29. (i) Investment decision
The investment decision relates to how the firm's funds are invested in different assets.
- (ii) Factors affecting Investment decision (any two):
- (a) A company should carefully analyse the cash flows that will be generated over the period as a series of cash receipts and payments over the life of an investment.
 - (b) The rate of return expected from a proposal involving huge sums is a factor affecting investment decision.
 - (c) There are different investment criteria involved with each proposal like the amount of investment, interest rate, etc. which should be considered before selecting a particular project. **[4]**

30. (i) Rajneesh can approach District Consumer Disputes Redressal Commission (District Commission).

- (ii) If Rajneesh is not satisfied by the order of District Consumer Disputes Redressal Commission (District Commission), he can appeal against such order to the State Consumer Disputes Redressal Commission (State Commission) within 45 days from such order.
- (iii) Reliefs that can be granted to Rajneesh (Any two)
- To replace the defective product with a new one.
 - To refund the price paid for the product.
 - To pay a reasonable amount of compensation for any loss suffered by the consumer due to the negligence of the opposite party.
 - To pay punitive damages.
 - Not to offer such (hazardous) goods for sale.
 - To withdraw such (hazardous) goods from sale.
 - To cease to manufacture of such (hazardous) goods.
 - Compensate for any loss or injury suffered by consumer under product liability action and withdraw hazardous products from being offered for sale etc.
 - To pay any amount (not less than 5% of the value of such goods) to be credited to Consumer Welfare Fund or any other organisation/person to be utilised in the prescribed manner.
 - To pay adequate costs to the appropriate party. [4]

31. Importance of Management

(Any three with explanation)

- Management helps in achieving group goals
- Management increases efficiency
- Management creates a dynamic organisation
- Management helps in achieving personal objectives
- Management helps in the development of society

Or

- Differential Piece wage system
 - Differential Piece Wage System is a technique which differentiates between efficient and less efficient workers. It rewards the efficient workers and motivates the less efficient ones to improve their efficiency.
 - In this plan, there are two piece rates – one for those workers who produce above the standard output, and the other for those who produce less than the standard output.
- Time Study
 - Time study is a technique which determines standard time required to perform a well-defined job.
 - The objective of time study is to determine the number of workers to be employed, frame suitable incentive schemes and determine labour costs.
- Method Study
 - Method study is a technique to find out the one best way of doing the job.
 - The objective of method study is to minimise the cost of production and maximise the quality and satisfaction of the customer. [6]

- 32. Provides direction - Planning ensures that the goals or objectives are clearly stated so that they act as a guide for deciding what action should be taken and in which direction.**

Reduces the risk of uncertainty- By deciding in advance the tasks to be performed, planning anticipates the changes and managerial responses to them can be developed, thereby, reducing the risk of uncertainty.

Facilitates decision-making - Planning helps the manager to look into the future and make a choice from amongst various alternative courses of action by evaluating them.

Or

Develops Employees -As a result of delegation, employees get more opportunities to utilize their talent and allows them to develop those skills which enable them to perform complex tasks. Delegation helps them to prepare better future managers.

Delegation motivates employees

Responsibility for work builds the self-esteem of an employee and improves his confidence. He feels encouraged and tries to improve his performance further.

Delegation facilitates growth -Delegation helps in the expansion of an organization by providing a ready workforce to take up leading positions in new ventures.

Trained and experienced employees are able to play significant roles in the launch of new projects. **[6]**

33. Marketing Functions

(Any three)

- (i) Branding -Branding is the process of giving a name or sign or a symbol to a product which helps in identifying and distinguishing it from the competitor's products.
- (ii) Packaging - Packaging refers to designing and developing the package for the products. It is important not only for protection of the products but also serves as a promotional tool.
- (iii) Pricing of Product - Price of product refers to the amount of money customers have to pay to obtain a product. Generally, lower the price, higher would be demand for the product and vice versa.
- (iv) Promotion - Promotion of products involves informing the customers about the firm's product, its features, etc. and persuading them to purchase these products. The methods of promotion include advertising, personal selling, public relations and sales promotion. **[6]**

34. (a) Planning

(b) Remaining steps required to complete Planning process:

- (i) Identifying alternative courses of action which may be used to achieve the set objectives.
- (ii) Evaluating alternative courses of action involves evaluating the positive and negative aspects of each proposal in the light of the objective to be achieved.
- (iii) Selecting the best alternative is the real point of decision making and involves selecting the best possible course of action.
- (iv) Implementing the plan is the step where other managerial functions also come into the picture.
- (v) Follow-up action involves monitoring whether plans are being implemented and activities are performed according to schedule. **[6]**