

**MARKING SCHEME – 2013-14
BUSINESS STUDIES
OUTSIDE DELHI – 66/2**

**DISTRIBUTION
OF MARKS**

66/1	66/2	66/3	EXPECTED ANSWERS / VALUE POINTS	
12	1	6	<p>Q. State the objective of ‘Financial Management’.</p> <p>Ans. The objective of Financial Management is maximizing shareholder’s wealth.</p>	1 mark
11	2	5	<p>Q. What is meant by ‘Financial Risk’?</p> <p>Ans. Financial risk is the risk of the firm failing to meet its payment obligations.</p>	1 mark
9	3	2	<p>Q. What is meant by ‘Decoding’ as an element of communication?</p> <p>Ans. Decoding means converting encoded symbols of the sender.</p>	1 mark
8	4	3	<p>Q. ‘Providing for social security and welfare of employees’ is one of the specialized activities performed by Human Resource Management. Mention any two other specialized activities of Human Resource Management.</p> <p>Ans. <u>Other specialized activities of human resource management are: (Any two)</u></p> <p>(i) Analysing jobs. (ii) Recruitment. (iii) Selection. (iv) Placement and orientation. (v) Training and development of employees. (vi) Performance Appraisal. (vii) Developing compensation and incentive plans. (viii) Maintaining labour relations and union management relations. (ix) Handling grievances and complaints. (x) Defending the company in law suits and avoiding legal complications.</p>	1 mark
10	5	1	<p>Q. Give any two characteristics of ‘Organizational Climate’ that influence the behaviour of individuals and act as a non-financial incentive.</p> <p>Ans. Characteristics of ‘Organizational Climate’ that influence the behaviour of individuals are : (Any two)</p> <p>(i) Individual autonomy. (ii) Reward orientation. (iii) Consideration to employees. (iv) Risk taking.</p>	<p>$\frac{1}{2} \times 2$ = 1 mark</p>
7	6	4	<p>Q. How are employees motivated to improve their performance when the organization uses</p>	1 mark

			internal sources of recruitment? State.	
			Ans. Employees are motivated to improve their performance when the organization uses internal sources of recruitment as promotion at a higher level leads to a chain of promotions at the lower levels in the organisation.	
4	7	11	Q. Give the meaning of ‘Method’ as a type of plan.	1 mark
			Ans. Method is the prescribed way or manner in which a task has to be performed considering the objective.	
5	8	10	Q. Give the meaning of ‘Responsibility’ as an element of delegation.	1 mark
			Ans. Responsibility is the obligation of the subordinate to properly perform the assigned duty.	
6	9	9	Q. Define ‘organizing’ as a function of management.	1 mark
			Ans. Organising is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.	
			(or any other correct definition)	
3	10	8	Q. What is included in ‘Legal Environment’ of Business? State.	1 mark
			Ans. Legal environment includes various legislations passed by the government, administrative orders issued by government authorities, court judgments and decisions rendered by various commissions and agencies.	
2	11	12	Q. What is determined by ‘Time Study’?	1 mark
			Ans. Time study determines the standard time taken to perform a well defined job.	
1	12	7	Q. What is meant by ‘Management of Work’?	1 mark
			Ans. Management of work refers to translating work in terms of goals to be achieved and assigning the means to achieve them.	
16	13	14	Q. ABC Crackers Ltd., a fire-cracker manufacturing company launched some new products on the eve of Diwali in the market, which attracted many buyers. To meet the increased demand the company employed people from nearby villages where there is a lot of unemployment. Because of the good behaviour of the management with the employees, more and more people wanted to join the company. As the products were in great demand in the market, a	1/2 mark for identification + 1/2

competitor imitated the products. The products of the competitor were not accepted by the consumers as it was a status symbol to buy the products of ABC Crackers Ltd. because of their quality.

(a) Identify and explain the product-related decision because of which consumers preferred the products of ABC Crackers Ltd.

(b) Also identify any two values which ABC Crackers Ltd. wanted to communicate to the society.

Ans. (a) The product-related decision because of which consumers preferred the products of ABC Crackers Ltd. is **Branding**.

It refers to the process of giving a name, sign or a symbol to a product to differentiate it from those of competitors.

(b) Values which ABC Crackers Ltd. wanted to communicate to the society:

- Providing employment opportunities.
- Good behaviour in human interaction.
- Development of rural areas.
- Fulfilling social responsibility by providing quality goods.

(or any other correct value)

15 14 15 Q. 'Stock Exchange not only contributes to the economic growth, but performs many other functions.' Explain any three such functions.

Ans. Functions of a stock exchange: (Any three)

- (i) Providing liquidity and marketability to existing securities.
- (ii) Pricing of securities.
- (iii) Safety of transactions.
- (iv) Spreading of equity cult.
- (v) Providing scope for speculation.

(If an examinee has not given the headings as above but has given the correct explanation, no marks should be deducted)

13 15 16 Q. Huma is working in a company on a permanent basis. As per the job agreement she had to work for 8 hours a day and was free to work overtime. Huma worked overtime, due to which she fell ill and had to take leave from her work. No one showed concern and enquired about her health. She realized that she was fulfilling only some of her needs while some other

mark for
its
explanation
= 1/2+1/2
= 1 marks

+
1 mark for each
value

= 1 x 2
=2 mark
=1+2
=

3 marks

1/2 mark
for the
heading
+ 1/2 mark
for its
explanation

= 1 x 3
=

3 marks

1/2 mark for
identification

+
1/2 mark for
quoting the
line
= 1/2 + 1/2

		needs still remained to be fulfilled.	= 1 mark
		(i) By quoting the lines from the above para, identify the needs of Huma which she is able to fulfill.	+ ½ mark for naming the need
		(ii) Also explain two other needs of Huma followed by the above needs, which still remained to be satisfied.	+ ½ mark for its explanation
		Ans. (i) <u>Needs of Huma</u> followed by the above needs, <u>which she is able to fulfill</u> :	= 1 x 2
		Physiological needs and safety/ security needs	= 2 marks
		‘Huma is working in a company on a permanent basis’.	= 1+2
			3 marks
		(ii) <u>Needs of Huma which still remained to be satisfied are:</u>	
		-Affiliation/ belongingness needs	
		These needs refer to the need for affection, sense of belonging, acceptance and friendship.	
		-Esteem needs	
		These needs refer to the need for self respect, autonomy status, recognition and attention.	
14	16	13	
		Q. Explain any three functions performed by a supervisor that are vital to any organization.	
		Ans. <u>Functions performed by a supervisor are: (Any three)</u>	½ mark for the heading
		(i) Day to day contact with the workers.	+ ½ mark for its explanation
		(ii) Link between workers and management.	= 1 x 3
		(iii) Maintains group unity.	=
		(iv) Ensures performance of work according to targets.	3 marks
		(v) Provides on the job training to the workers.	
		(vi) Builds up high morale among the workers.	
		(vii) Gives feedback to the workers about their performance.	
		(If an examinee has not given the headings as above but has given the correct explanation, no marks should be deducted)	
-	17	-	
		Q. State any three points of importance of consumer protection from the point of view of consumers.	
		Ans. <u>Importance of Consumer protection from the point of view of consumers:</u>	1 x 3
		(i) It <u>educates consumers</u> about their rights and reliefs available to them.	=
		(ii) It <u>organises consumers</u> in the form of consumer organisations which would take care of their interests.	3 marks

(iii) It protects consumers against exploitative and unfair trade practices.

(If an examinee has given only the headings, ½ mark for each heading should be awarded)

- | | | | | |
|----|----|----|---|---|
| - | 18 | - | <p>Q. Explain the following Rights of Consumers:</p> <p>(i) Right to Safety</p> <p>(ii) Right to be Heard</p> <p>Ans. (i) <u>Right to safety</u></p> <p>Right to be protected against goods and services which are hazardous to life and those which do not conform to the safety norms.</p> <p>(ii) <u>Right to be Heard:</u></p> <p>The consumer has right to file a complaint with business firms and to be heard in case of dissatisfaction with a product or a service.</p> | <p>1 ½
+
1 ½
=

3marks</p> |
| 21 | 19 | 20 | <p>Q. State any four advantages of external sources of recruitment.</p> <p>Ans. <u>Advantages of external sources of recruitment:</u>
(Any four)</p> <p>(i) The management can <u>attract qualified and trained people</u> to apply for vacant jobs in the organisation.</p> <p>(ii) The management has a <u>wider choice</u> while selecting the right candidate.</p> <p>(iii) External sources bring <u>fresh talent</u> in the organisation.</p> <p>(iv) External sources encourage <u>competitive spirit</u> among the existing staff.</p> <p>(If an examinee has given only the headings, ½ mark for each heading should be awarded)</p> | <p>1 x 4
=

4 marks</p> |
| 22 | 20 | 19 | <p>Q. Give the meaning of ‘Investment’ and ‘Financing’ decisions of financial management.</p> <p>Ans. The investment decision refers to <u>how the firm’s funds are invested in different assets</u> to earn the highest possible return for the investors.</p> <p>It can be long term or short term.</p> <p>Financing decision is about the <u>quantum of finance</u> to be raised from various <u>long-term sources</u> and the proportion in which they may be raised.</p> <p>The sources are debt and/or equity.</p> | <p>2 + 2
=

4 marks</p> |
| 20 | 21 | 22 | <p>Q. Explain the concept of ‘Business Environment’ and any three features of it.</p> <p>Ans. Business Environment refers to the sum total of</p> | <p>1 mark for the concept
+</p> |

all individuals, institutions and other forces that are outside the control of the business enterprise but that may affect its performance.

Features of business environment: (Any three)

- (i) Totality of external forces.
- (ii) Includes specific and general forces.
- (iii) Inter-relatedness.
- (iv) Dynamic.
- (v) Uncertain.
- (vi) Complex.

(If an examinee has not given the headings as above but has given the correct explanation, no marks should be deducted)

½ mark
for
each heading
+ ½
mark for
its
explanation
= 1 x 3
3 marks
=1+3
=
4 marks

19 22 21

Q. Mega Ltd. was manufacturing water-heaters. In the first year of its operations, the revenue earned by the company was just sufficient to meet its costs. To increase the revenue, the company analysed the reasons of less revenues. After analysis the company decided

- (i) to reduce labour cost by shifting the manufacturing unit to a backward area where labour was available at a very low rate.**
- (ii) to start manufacturing solar water-heaters and reduce the production of electric water-heaters slowly.**

This will not only help in covering the risks, but also help in meeting other objectives too.

- (a) Identify and explain the objectives of management discussed above.**
- (b) State any two values which the company wanted to communicate to the society.**

Ans. (a) The objectives of management referred to are:

Organisational objectives

These refer to the utilisation of human and material resources considering the interest of all stakeholders.

(b) Social objectives

These refer to the creation of benefit for various constituents of the society.

(If an examinee has explained survival and growth as objectives of management instead of organisational objectives, full credit is to be given)

(ii) Values which the company wanted to communicate to the society are:

½ mark for
identification
+
½ mark for
its
explanation
= 1+1
= 2 marks
+
1 mark for each
value
= 1 x 2
=2 mark
=2+2
=
4 marks

- (a) Providing employment opportunities.
 (b) Development of backward regions.
 (c) Concern for the environment.
 (or any other correct value)

25 23 24

Q. What is meant by ‘Personal Selling’? Explain any three qualities of a good salesman.

Ans. Personal Selling means oral presentation of message in the form of conversation with prospective customers for the purpose of making a sale.

Qualities of a good salesman: (Any three)

- (i) Physical qualities.
 (ii) Psychological qualities.
 (iii) Good behavior.
 (iv) Technical quality.
 (v) Good communication skills.
 (vi) Honesty.
 (vii) Courtesy.
 (viii) Persistence.
 (ix) Capacity to inspire trust.
 (x) Good mentally health.

(If an examinee has not given the headings as above but has given the correct explanation, no marks should be deducted)

2 marks for the meaning
 +
(½ mark for each heading
 + ½ mark
for each explanation
 = 1 x 3
 = 3 marks)
 = 2+3
 = 5 marks

26 24 23

Q. Principles of Taylor and Fayol are mutually complementary. One believed that the management should share the gains with the workers, while other suggested that employees compensation should depend on the earning capacity of the company and should give them a reasonable standard of living.

Identify and explain the principles of Fayol and Taylor referred to in the above para.

Ans. The principle of Fayol referred to in the above para is **Remuneration:**

It states that the overall pay and compensation should be fair to both the employees and the organisation. The employees should be paid fair wages which should give them a reasonable standard of living.

The principle of Taylor referred to in the above para is **Harmony not discord.**

It advocates that there should be complete harmony between management and the workers. There should be complete mental revolution on the part of both

1 mark for identification
 +
1 ½ marks for its explanation
 =
 2 ½ + 2 ½
 =
5marks

- 25 - **Q. Define ‘Planning’. State any four points of importance of planning.**

Ans. Planning refers to 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.

1 mark for the definition

(or any other correct definition)

OR

Planning is deciding in advance what is to be done, why it is to be done, when it is to be done and how it is to be done.

+

Importance of planning (any four):

(i) Planning provides direction by stating in advance how the work is to be done.

1 x 4

(ii) Planning reduces risk of uncertainty by looking ahead and anticipating changes.

= 4 marks

(iii) Planning reduces overlapping and wasteful activities by coordinating the activities of different divisions.

=1+4

=

(iv) Planning promotes innovative ideas requiring application of mind and foresight.

5 marks

(v) Planning facilitates decision making by making a choice from among the alternative courses of action.

(vi) Planning establishes standards against which actual performance is measured.

(If an examinee has given only the headings, ½ mark for each heading should be awarded)

- 26 - **Q. Differentiate between ‘Primary Market’ and ‘Secondary Market’ on any five basis.**

Ans. DISTINCTION BETWEEN PRIMARY MARKET AND SECONDARY MARKET **(any five)**

Basis	Primary Market (New Issue Market)	Secondary Market (Stock Exchange)
Securities traded	There is sale of securities by new companies or further (new) issues of securities by existing companies to investors.	There is trading of existing securities only.
Purpose	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.

1 x 5

=

5 marks

Capital formation	The flow of funds is from savers to investors, i.e. the primary market directly promotes capital formation.	Enhances encashability (liquidity) of securities, i.e. the secondary market indirectly promotes capital formation.
Buying/selling	Only buying of securities takes place in the primary market. Securities cannot be sold by the investors.	Both the buying and the selling of securities can take place on the stock exchange.
Price determination	Prices are determined and decided by the management of the company.	Prices are determined by the forces of demand and supply.
Location	There is no fixed geographical location.	Located at specified places.

30 27 28

Q. Explain the following functions of marketing:

- (i) **Product designing and development**
- (ii) **Standardization and Grading**
- (iii) **Customer Support Services**
- (iv) **Pricing of products**

Ans. (i) Product designing and development

Product designing and development helps to make the product attractive to the target customers. A good design can improve performance of a product and also give it a competitive advantage in the market.

1 ½ x 4
=

(ii) Standardization and Grading

Standardisation ensures uniformity and consistency in output reducing the need for inspection and testing of the products. Grading ensures that the goods belong to a particular quality and helps in realising higher prices for better quality products.

6marks

(iii) Customer Support Services

This includes services like after sales services, handling customer complaints and grievances, maintenance services, technical services etc.

(iv) Pricing of products

Pricing involves crucial decisions like setting the pricing objectives, determining the pricing strategies, fixing the price etc.

OR

Q. 'Though advertising is one of the most

OR

frequently used media of promotion of goods and services, yet it attracts lot of objections.’ Explain any four such objections.

Ans. Though advertising is one of the most frequently used medium of promotion of goods and services, yet it attracts lot of objections which are: (Any four)

(i) Adds to Cost:

Advertising unnecessarily adds to the cost of the product, which is ultimately passed on to the buyers in the form of high prices.

(ii) Undermines Social Values:

Advertising undermines social values and promotes materialism and discontent among people.

(iii) Confuses the Buyers:

There are so many products being advertised that the buyer gets confused as to which one should he buy.

(iv) Encourages Sale of Inferior Products:

Advertising does not distinguish between superior and inferior products and persuade people to purchase even the inferior products.

(v) Some Advertisements are in Bad Taste:

Another criticism against advertising is that some advertisements are in bad taste. They may not be approved by the society in general.

½ mark for each heading

+

1 mark for each explanation

= 1 ½ x 4

=

6marks.

28 28 27 Q. Explain the relationship between planning and controlling.

Ans. Relationship between planning and controlling:
There is a close and reciprocal relationship between planning and controlling because:

1. Controlling is blind in the absence of standards which are provided by planning;

2. Planning without controlling is meaningless as controlling ensures that the events conform to the plans.

3. Planning prescribes an appropriate course of action for achieving objectives whereas controlling evaluates whether decisions have been translated into desired actions.

4. Planning and controlling are both forward-looking and looking back.

(Note: If the answer covers the above points in any other form, full credit should be given)

OR

Q. Explain the various steps in the process of controlling.

1 ½ x 4

=

6 marks

OR

½ mark for each heading

	<p>Ans. <u>Steps in the process of controlling:</u> (i) Setting performance standards. (ii) Measurement of actual performance. (iii) Comparison of actual performance with the standards and analysing deviations. (iv) Taking corrective action. (If an examinee has combined or written separately any of the above stated points but covered all points in order, full credit to be given.) (If an examinee has not given the headings as above but has given the correct explanation, no marks should be deducted)</p>	<p>+ 1 mark for each explanation = $1\frac{1}{2} \times 4$ = 6 marks</p>
- 29 -	<p>Q. Explain, with the help of any four points, the importance of 'Delegation' in an organization. Ans. <u>Importance of delegation: (Any four)</u> (i) Effective management. (ii) Employee development. (iii) Motivation of employees. (iv) Growth facilitation. (v) Better co-ordination. (vi) Creation of management hierarchy. (if an examinee has not given the headings as above but has given the correct explanation, full credit should be given)</p> <p style="text-align: center;">OR</p> <p>Q. 'Organizing involves a series of steps in order to achieve the desired goals.' Explain these steps. Ans. <u>Steps in the process of organising:</u> (i) Identification and division of work. (ii) Departmentalisation. (iii) Assignment of duties to job positions. (iv) Establishing reporting relationships. (If an examinee has not given the headings as above but has given the correct explanation, no marks should be deducted)</p>	<p>$\frac{1}{2}$ mark for heading + 1 mark for explanation = $1\frac{1}{2} \times 4$ = 6marks</p> <p style="text-align: center;">OR</p> <p>$\frac{1}{2}$ mark for each heading + 1 mark for each explanation = $1\frac{1}{2} \times 4$ = 6marks</p>
- 30 -	<p>Q. Explain the following as factors affecting the requirements of fixed capital: (i) Scale of operations (ii) Choice of technique (iii) Technology upgradation (iv) Financing alternatives Ans. Factors affecting the requirements of fixed capital: (i) Scale of operations A larger organisation operating at a higher scale</p>	<p>$1\frac{1}{2} \times 4$ = 6 marks</p>

needs bigger plant and more space and hence higher investment in fixed assets.

(ii) Choice of technique

A capital intensive organisation requires higher investment in plant and machinery and thus requires higher fixed capital than a labour intensive organisation.

(iii) Technology upgradation

Industries where assets become obsolete sooner require higher fixed capital to purchase such assets.

(iv) Financing alternatives

A firm which can avail of financing alternatives like leasing requires lower investment in fixed assets and hence requires less fixed capital.

OR

OR

Q. Explain the following as factors affecting 'dividend decision':

(i) Stability of dividend

(ii) Shareholders' preference

(iii) Legal constraints

(iv) Access to capital market

Ans. Factors affecting dividend decision:

(i) Stability of dividends

Companies follow the policy of stabilising dividend per share and increase the dividend only when the earning potential goes up.

(ii) Shareholders preferences

Companies pay dividend if the shareholders desire that at least a certain amount be paid as dividend.

(iii) Legal constraints

Companies have to adhere to provisions of the Companies Act which may place restrictions on the payout of dividend.

(iv) Access to capital market

Companies with higher access to capital market declare higher dividend.

**1 ½ x 4
=
6 marks**