

Q. SET No.			MARKING SCHEME-2013-14 BUSINESS STUDIES <u>DELHI-66/1/3</u>	DISTRI- BUTION OF MARKS
66/1/1	66/1/2	66/1/3	EXPECTED ANSWERS / VALUE POINTS	
10	9	1	<p>Q. What is meant by ‘Encoding’ as an element of communication?</p> <p>Ans. Encoding means converting the message into communication symbols such as words, pictures, gestures, etc.</p>	1 mark
9	10	2	<p>Q. Give an example of ‘Employee Recognition Programmes’ as a non financial incentive.</p> <p>Ans. <u>Examples of ‘Employee Recognition Programmes are: (Any one)</u></p> <p>(i) Congratulating the employees for good performance.</p> <p>(ii) Displaying employees’ achievements on the notice board or company’s newsletter.</p> <p>(iii) Awarding best performance (or any other correct example)</p>	1 mark
8	11	3	<p>Q. “Recruitment’ is one of the specialized activity 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.</p> <p>(ii) Selection.</p> <p>(iii) Placement and orientation.</p> <p>(iv) Training and development of employees.</p> <p>(v) Performance Appraisal.</p> <p>(vi) Developing compensation and incentive plans.</p> <p>(vii) Maintaining labour relations and union management relations.</p> <p>(viii) Handling grievances and complaints.</p> <p>(ix) Providing for social security and welfare of employees.</p> <p>(x) Defending the company in law suits and avoiding legal complications.</p>	1 mark
7	12	4	<p>Q. Why employees become lethargic when the organisation uses internal sources of recruitment? State.</p> <p>Ans. Employees become lethargic when the organisation uses internal sources of recruitment as they are sure of time bound promotions.</p>	1 mark
6	2	5	<p>Q. State any one advantage of ‘Formal Organisation’.</p> <p>Ans. <u>Advantages of formal organisation (Any one):</u></p>	1 mark

- (i) It is easier to fix responsibility.
 - (ii) It avoids duplication of efforts.
 - (iii) It maintains unity of command
 - (iv) It leads to effective accomplishment of goals.
 - (v) It provides stability to the organisation.
- (If an examinee has given only the heading, ½ mark for the heading should be awarded)**

4	3	6	<p>Q. Give the meaning of ‘Policy’ as a type of plan. Ans. Policy is a general guideline which brings uniformity in decision making for achievement of predetermined objectives.</p>	1 mark
5	1	7	<p>Q. Give the meaning of ‘Authority’ as an element of delegation. Ans. Authority refers to the right of an individual to command his subordinates and to take action within the scope of his position.</p>	1 mark
11	8	8	<p>Q. Define ‘Capital Structure’. Ans. The capital structure means the <u>proportion of debt and equity</u> used for financing the operations of a business. or It refers to the mix between owner’s funds and borrowed funds.</p>	1 mark
12	7	9	<p>Q. How does ‘Inflation’ affect the working capital requirements of a company? State. Ans. With inflation, <u>the working capital requirements become higher as larger amount of money is required to maintain a constant volume of production and sales.</u></p>	1 mark
3	4	10	<p>Q. What is included in ‘Political Environment of business? State. Ans. Political environment includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business.</p>	1 mark
2	5	11	<p>Q. What is the objective of ‘Method Study’ as a technique of scientific management? Ans. The objective of method study is to find out one best way of doing the job.</p>	1 mark
1	6	12	<p>Q. What is meant by ‘management of people’? Ans. Management of people means dealing with employees as individuals with diverse needs and behaviour as well as dealing with individuals as a group of people.</p>	1 mark

15	14	13	<p>Q. 'Financial market plays an important role in the allocation of scarce resources in an economy by performing various functions.' Explain any three functions of financial market.</p> <p>Ans. Financial market plays an important role in the allocation of scarce resources in an economy by performing the following functions: (Any three)</p> <p>(i) Mobilisation of savings and channelising them into most productive use.</p> <p>(ii) Facilitating price discovery.</p> <p>(iii) Providing liquidity to financial assets.</p> <p>(iv) Reducing the cost of transactions.</p> <p>(If an examinee has not given the headings as above but has given the correct explanations, full credit should be given)</p>	<p>$\frac{1}{2}$ mark for the heading + $\frac{1}{2}$ mark for explanation = 1 x 3 = 3 marks</p>
16	13	14	<p>Q. Crackers Ltd., a fire cracker manufacturing company launched some new products on eve of Diwali which attracted many buyers. To meet the increased demand, the company employed children from nearby villages. Although the product was in great demand, appropriate safety warnings were not mentioned on the packets that led to many accidents.</p> <p>(i) Identify and explain the important product related decision that was not taken into consideration by the company</p> <p>(ii) Also, identify any two values which were violated by the company.</p> <p>Ans. (i) The important product related decision that was not taken into consideration by the company is <u>Labelling.</u></p> <p>It is the process of designing the label and putting it on the package to provide information regarding the product, its contents, methods of use etc.</p> <p>(ii) <u>Values violated by the company:</u></p> <ul style="list-style-type: none"> -concern for safety of human beings. -respect for law (employing children as labour). -concern/ sensitivity for the environment. <p>(or any other correct value)</p>	<p>$\frac{1}{2}$ mark for identification + $\frac{1}{2}$ mark for its explanation = $\frac{1}{2} + \frac{1}{2}$ = 1 mark + 1 mark for each value = 1 x 2 = 2 marks = 1+2 = 3 marks</p>
14	16	15	<p>Q. How directing helps in efficient and effective functioning of the organisation? Explain by giving any three points.</p> <p>Ans. <u>Directing helps in efficient and effective functioning of the organisation because:</u> (any three)</p> <p>(i) It helps to initiate action.</p> <p>(ii) It integrates employees' efforts.</p>	<p>$\frac{1}{2}$ mark for the heading + $\frac{1}{2}$ mark for explanation = 1 x 3</p>

			(iii) It guides employees to realise their potential.	= 3 marks
			(iv) It facilitates changes.	
			(v) It brings stability and balance in the organisation.	
			(If an examinee has not given the headings as above but has given the correct explanations, full credit should be given)	
13	15	16	Q. Rahim was working in an enterprise on daily wages basis. It was difficult for him to fulfill the basic needs of his family. His daughter fell ill. He had no money for his daughter's treatment. To meet the expenses of her treatment, he participated in a cycle race and won the prize money. The cycle company offered him a permanent pensionable job which he happily accepted.	
			(i) By quoting the lines from the above para identify the needs of Rahim that are satisfied by the offer of cycle company.	$\frac{1}{2}$ mark for identification + $\frac{1}{2}$ mark for quoting the line $= \frac{1}{2} + \frac{1}{2}$ $= 1$ mark
			(ii) Also, explain two other needs of Rahim followed by above that are still to be satisfied.	+ $\frac{1}{2}$ mark for naming the need
			Ans. (i) Needs of Rahim that are satisfied by the offer of cycle company are <u>Physiological needs and Safety/ security needs</u> 'The cycle company offered him a permanent pensionable job'.	+ $\frac{1}{2}$ mark for its explanation $= 1 \times 2$ $= 2$ marks
			(ii) The other needs followed by the above stated needs that are still to be satisfied are:	
			(a) <u>Affiliation/ Belongingness needs.</u>	$= 1+2$
			These needs refer to the need for affection, sense of belonging, acceptance and friendship.	3marks
			(b) <u>Esteem needs</u>	
			These needs refer to the need for self respect, autonomy status, recognition and attention.	
-	-	17	Q. State any three responsibilities that a consumer should keep in mind while purchasing, using and consuming goods and services.	
			Ans. Responsibilities of the consumer to safeguard his interests: (Any three)	
			(i) <u>Be aware</u> about various goods and services available in the market so that an <u>intelligent and wise choice</u> can be made.	1×3 =
			(ii) <u>Buy only standardised goods</u> as they provide quality assurance. Thus, look for <u>ISI mark</u> on electrical goods, <u>FPO/ FSSAI mark</u> on food products, <u>Hallmark</u> on jewellery etc.	3marks
			(iii) <u>Learn</u> about the <u>risks</u> 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 and choose only from legal source 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.

(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 role in educating consumers and safeguarding their interests.

(x) Respect the environment by avoiding waste and littering as it contributes to pollution.

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

- - 18

Q. Explain the following rights of consumers:

(i) Right to seek redressal;

(ii) Right to consumer education.

Ans. (i) Right to seek redressal:

The consumer has a right to get relief such as replacement of product, removal of defect in the product, compensation for any loss or injury suffered by the consumer in case the product or service falls short of his expectations.

1 ½
+
1 ½
=

(ii) Right to Consumer Education

The consumer has the right to acquire knowledge about his rights and the reliefs available to him to be well informed.

3marks

22 20 19

Q. Explain any four points that highlight the importance of financial planning.

Ans. Financial planning is important to: (any four)

(i) Prepare for the future.

(ii) Avoid business shocks and surprises.

(iii) Coordinate various business functions.

(iv) Reduce waste and duplication of efforts.

(v) Link the present with the future.

(vi) Link investment and financing decisions.

½ mark for
each heading
+
½ mark for
each
explanation
=

			(vii) Evaluate actual performance. (If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)	4marks
21	19	20	Q. How is training of employees beneficial for the organisation? State by giving any four reasons. Ans. Training of employees is beneficial for the organisation as: (Any four): (a) It avoids wastage of efforts and money. (b) It enhances employee productivity. (c) It equips the future manager to take over in an emergency. (d) It reduces employees' turnover. (e) It helps the employees to adopt the new/latest technology. (If an examinee has given only the headings, 1/2 mark for each heading should be awarded)	1 mark for each statement 1x4 = 4 marks
20	22	21	Q. Why is the understanding of business-environment important for managers? Explain with the help of any four points. Ans. Understanding of business environment is important for managers to: (Any four): (i) Identify opportunities and get the first mover advantage. (ii) Identify threats and early warning signals. (iii) Tap useful resources. (iv) Cope with rapid changes. (v) Assist in planning and policy formulation. (vi) Improve performance. (If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)	1/2 mark for the heading + 1/2 mark for the explanation = 1 x 4 = 4 marks
19	21	22	Q. XYZ Power Ltd. set up a factory for manufacturing solar lanterns in a remote village as there was no reliable supply of electricity in rural areas. The revenue earned by the company was sufficient to cover the costs and the risks. The demand of lanterns was increasing day by day, so the company decided to increase production to generate higher sales. For this, they decided to employ people from nearby villages as very few job opportunities were available in that area. The company also decided to open schools and crèches for the children of its employees. (i) Identify and explain the objectives of	1/2 mark for identification of each objective + 1/2 mark for its explanation = 1 x 2 = 2 marks

management discussed above.

(ii) State any two values which the company wanted to communicate to the society.

Ans. (i) 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: (Any two)

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

+
1 mark for each value
=
1 x 2
=
2 marks
=
2+2
=
4 marks

24 - 23

Q. Differentiate between 'capital-market' and 'money-market' on the following basis:

(i) Participants; (ii) Instruments; (iii) Investment outlay; (iv) Duration and (v) Liquidity.

Ans. Difference between Capital Market and Money Market:

Basis	Capital Market	Money Market
1. Participants	The participants are financial institutions, banks, corporates, foreign investors and retail investors.	The participants are RBI, financial institutions, banks, corporates,
2. Instruments	Instruments traded are shares, debentures and bonds.	Instruments traded are treasury bill, commercial paper, certificates of deposit, call money and commercial bill,
3. Investment outlay	Investment outlay is small.	Investment outlay is large.
4. Duration	It deals in medium term and long term securities.	It deals in short term securities

1 x 5
=
5marks

5. Liquidity	Capital securities are comparatively less liquid.	market securities are less	Money securities are comparatively more liquid.
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26 24 24

Q. Principles of Taylor and Fayol are mutually complementary. One believed that the management should not close its ears to constructive suggestions made by the employees while the other suggested that a good company should have an employee suggestion system whereby suggestions which result in substantial time or cost reduction should be rewarded. Identify and explain the principles of Taylor and Fayol referred in the above para.

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

Ans. (i) The principle of Taylor referred to is Cooperation, Not Individualism

It states that there should be complete cooperation between the labour and the management. Competition should be replaced by cooperation.

5marks

(ii) The principle of Fayol referred to is Initiative

It indicates that the subordinates should be encouraged to make and execute plans within the prescribed limits of authority.

- - 25

Q. State any five points of importance of planning.

Ans. Importance of planning: (Any five)

(a) Planning provides directions by stating in advance how work is to be done.

(b) Planning reduces risk of uncertainty by anticipating and showing how to deal with changes.

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

(d) Planning promotes innovative ideas as new ideas can take the shape of concrete plans.

(e) Planning facilitates decision making by helping the manager to make a choice from among the various alternative courses of action.

(f) Planning establishes standards for controlling and thus helps in finding out the deviations.

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

1 x 5
=
5marks

- - 26

Q. Explain the factors that determine the choice of channels of distribution.

Ans. Factors that determine the choice of channels

½ mark for the heading

30 28 27

of distribution:

- (a) Product related factors.
- (b) Company characteristics.
- (c) Competitive factors.
- (d) Market factors.
- (e) Environmental factors.

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

Q. Explain the following functions of marketing:

- (i) Gathering and analysing market information;**
- (ii) Marketing planning;**
- (iii) Customer support services and**
- (iv) Physical distribution.**

Ans. (i) Gathering and Analysing Market Information

This involves making an analysis of the available opportunities and threats as well as the strengths and weaknesses of the organisation which helps in deciding which opportunities can best be pursued by it.

(ii) Marketing Planning

This involves development of marketing plans like plan for increasing the level of production, promotion of the products, etc to achieve the marketing objectives of the organisation.

(iii) Customer support services

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

(iv) Physical distribution

Physical distribution involves decision regarding channels of distribution and decision regarding physical movement of the product from where it is produced to a place where it is required by the customers for their consumption or use.

Or

Q. 'Though advertising is one of the most frequently used medium 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

+
½ mark for the explanation
= 1 x 5

=
5marks

1 ½ x 4
=

6marks

OR

½ mark for each heading

+
1 mark for each explanation
= 1 ½ x 4

=

in the form of high prices.

(ii) Undermines Social Values:

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

6marks.

(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.

28 27 28

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

Ans. Steps in the process of controlling:

- (i) Setting performance standards.
- (ii) Measurement of actual performance.
- (iii) Comparison of actual performance with the standards and analysing deviations.
- (iv) Taking corrective action.

$\frac{1}{2}$ mark for each heading
+
1 mark for each explanation
=
 $1 \frac{1}{2} \times 4$
=
6 marks

(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)

Or

Q. Explain any four points that highlight the importance of controlling.

Ans. Importance of controlling: (Any four)

- (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.

$\frac{1}{2}$ mark for each heading
+
1 mark for each explanation
=
 $1 \frac{1}{2} \times 4$
=
6marks

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

- - 29

Q. With the help of any four points, explain the

importance of ‘Decentralisation’ in an organisation.

Ans. Importance of Decentralisation:(Any four)

- (i) Develops initiative amongst subordinates.
- (ii) Develops managerial talent for the future.
- (iii) Leads to quick decision making.
- (iv) Gives relief to top management.
- (v) Facilitates growth.
- (vi) Facilitates better control.

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

Or

Explain the concept of ‘Divisional Structure’. Also, explain any four advantages of divisional structure.

Ans. Divisional structure is an organisation structure comprising of separate business units or divisions. Each division is multifunctional because within each division, functions like production, marketing etc, are performed to achieve a common goal.

Advantages of Divisional structure:

- (i) Product specialization.
- (ii) Helps in fixation of responsibility.
- (iii) Promotes flexibility.
- (iv) Facilitates expansion and growth.

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

30 Q. Explain the following as factors affecting the requirements of working capital:

- (a) Business cycle; (b) Operating efficiency;**
- (c) Availability of raw material and (d) Level of competition.**

Ans. Factors affecting the requirements of working capital:

(a) Business cycle

In case of boom, larger working capital is required as the sales and production are more.

(b) Operating efficiency

Firms managing their raw materials efficiently require lesser working capital.

(c) Availability of raw material

If the raw materials are available freely and continuously, firms can keep lesser stock and hence smaller working capital.

(d) Level of competition

$\frac{1}{2}$ mark for heading
 + 1 mark for explanation
 = $1 \frac{1}{2} \times 4$
 =
6marks

Or

2 marks
 +
 $\frac{1}{2}$ mark for heading
 +
 $\frac{1}{2}$ mark for its explanation
 (1 x 4)
 =4 marks
 =2+4
 = **6marks**

$1 \frac{1}{2} \times 4$
 =
6marks

Higher competition requires larger stocks to meet urgent orders from customers and thus higher working capital.

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

Or

OR

Q. Explain the following as factors affecting 'financing decision'.

- (a) Cash flow position of the business**
- (b) Level of fixed operating cost**
- (c) Control consideration**
- (d) State of capital markets**

1 ½ x 4
=

Ans. Factors affecting financing decision:

6marks

(a) Cash flow position of the business

A stronger cash flow position may make debt financing more viable than funding through equity.

(b) Level of fixed operating cost

With higher fixed operating costs, lower fixed financing costs should be opted for.

(c) Control consideration

Issue of more equity may lead to dilution of management's control over the business.

(d) State of capital markets

In a depressed capital market, issue of equity shares may be difficult as compared to boom period.

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