

**MARKING SCHEME**  
**BUSINESS STUDIES PRACTICE PAPER- 2**  
**2020-21**

1. Scalar Chain
2. (D). Develop Property of the managers
3. (D). All of the above
4. (C). Legal
5. (B). Centralisation and Decentralisation s
6. (A). Cooperation not individualism
7. (B). Legal Environment
8. Efficiency
9. (D). Physiological need
10. Critical point control
11. (C). Number o subordinates under a superior **OR** (A). Functional structure
12. (C). Societal Concept **OR** Packaging
13. (A) Treasury bill
14. (D). Secondary market
15. (C) Demat Account
16. Initial Public Offer
17. (C) Right to Choose
18. (D) Ask for a cash memo on purchase
19. (C). Long-term Interest of Business
20. (A) District Forum
21. Dimensions of business environment are as follows ( **Any Three** ) :
  - (i) **Economic environment**:- It consists of economic factors that influence the business in a country. These factors include GDP, corporate profits, inflation rate,

employment, Balance of Payments, interest rates, consumer income, etc. Economic environment in a country has strong influence on the business in that country.

(ii) **Social environment**:- It describes the characteristics of the society in which the organisation exists. Literacy rate, customs, value beliefs, life style, demographic features and mobility of population are the part of the social environment. The trend of change can be predicted well in advance. It is important for managers to notice the direction in which the society is moving and formulate progressive policies according to the changing social scenario.

(iii) **Political environment**:- It is the outcome of a combination of various ideologies advocated by different political parties. Every political party has a different attitude towards business community. A live example of this, can be seen during elections when there is a fluctuation in the share market.

(iv) **Legal Environment**:- It consists of legislation that is passed by the Parliament and state legislatures. This component sets the framework of law within which the business is free to operate. Example of such legislation specifically aims at business operations which include the Trade Marks Act, 1969, Essential Commodities Act, 1955, Standards of Weights and Measures Act, 1969 and Consumer Protection Act, 1986 , GST Act Etc .

**( ½ Marks for each heading and ½ Marks for point Explanation)**

**22.** Financial incentives refer to incentives which are in direct monetary form and serves to motivate people for better performance.

Two financial incentives are:

(i) **Pay and Allowances**:- Salary are the basic monetary incentive for every employee. It includes basic pay, dearness allowances and other allowances.

(ii) **Productivity Linked Wage Incentives** Some incentives plans link wages with productivity of an individual or that of the group to motivate him/them to produce more.

**( 1 Mark for Meaning and 1/2 Marks for heading and 1/2 Marks for point Explanation)**

**23.** Controlling is called a process of looking back as under it actual results are compared with the set standards, decided in the past. After that, a corrective action is initiated. In other words, if the standards are not decided in the past, controlling is not possible. Hence, it is true that controlling is backward looking.

For example, a salesman is expected to sell 50 units of a product per week. This is the standard against which actual performance would be judged at the end of the week. If he sells 35 units during the week, reasons for shortfall would be ascertained by his superior.

**( Marks as per Explanation of the Student)**

**OR**

**External Sources of Recruitment (Any Three):-**

1. **Direct recruitment:-** A notice is placed on the notice board of the enterprise specifying the details of the jobs available. Job-seekers assemble outside the premises of the organisation on the specified date and selection is done on the spot. The practice of direct recruitment is followed usually for casual vacancies of unskilled or semi-skilled jobs. Such workers are known as casual workers. They are paid remuneration on daily wage basis.
2. **Campus Recruitment:** Colleges and Institutes of Management and Technology have become a popular source of recruitment for technical, professional and managerial jobs. Many big organisations maintain a close link with them to recruit qualified personnel for various jobs.
3. **Management Consultants and Placement Agencies:-** Management consultants help the organisations to recruit technical, professional and managerial personnel. They specialise in middle level and top level executive placements. They maintain data of persons with different qualifications and skills. Placement agencies compile bio-data of a large number of candidates and recommend suitable names to their clients. They charge fee for their services.
4. **Employment Exchanges:-** Employment exchanges run by the government help to match personnel demand and supply by serving as link between jobseekers and employers. It is suitable for unskilled and skilled operative jobs.

**( 1/2 Marks for heading and 1/2 Marks for Explanation)**

**24.** Following are the objectives of SEBI:

- (i) To regulate stock exchange and securities markets to promote their orderly

functioning.

(ii) To protect the rights of investors and ensuring safety to their investment.

(iii) To prevent fraudulent and malpractices by balancing between self regulation of business and its statutory regulations.

( 1 Mark for Each point)

OR

**Difference in Capital Market and Money Market**

| BASIS           | CAPITAL MARKET  | MONEY MARKET  |
|-----------------|---|---|
| (i)Participants | Financial Institutions, Banks, Corporate Entities, Foreign Investors and General Public   | RBI, Commercial Banks, Financial Institutions and Finance Companies             |
| (ii) Duration   | This market deals in medium and Long-term securities having Maturity period over one year | This market Deals in short term funds having maturity period upto than one year |
| (iii) Liquidity | This Market securities has less liquidity as compared to Money Market                     | This market instruments are highly liquid.                                      |

( 1/2 Marks for Each Column Explanation with or without Basis of Difference)

25. Vestibule method of training should be imparted in the given situation.

**Vestibule training** Under this method, employees learn their jobs on the equipment they will be using, but the training is conducted away from the actual work floor. Actual work environment is created in a classroom and employees use the same materials, files and equipments. This is usually done when employees are required to handle sophisticated machinery and equipment. Vestibule training is suitable where a large number of persons are to be trained at the same time for the same kind of work. The main emphasis is on learning rather than on production.

( 1 Mark for Method Identification and 3 marks for Explanation)

26. Yes, I do agree with this statement. Directing may be regarded as the heart of the management process; Its importance may be explained under the following

points

**(i) Initiates action** Directing helps to initiate action by people in the organisation towards attainment of desired objectives, e.g. if a supervisor guides his subordinates and clarifies their doubts in performing a task, it will help workers to achieve work targets given to them.

**(ii) Integrates employees' efforts** Directing integrates employees' efforts in the organisation in such a way that every individual effort contributes to the attainment of organisational objectives. Thus, it ensures that the individuals work for organisational goals.

**(iii) Improves efficiency** Directing guides employees to fully realise their potential and capabilities by motivating and providing effective leadership. A good leader can always identify the potential of his employees and motivate them to extract work up to their potential. ( 1 Mark for Yes and 1 mark for any three points)

#### 27. Importance of Controlling:- ( Any four)

- (i). **Controlling helps in achieving organizational goals:-** The controlling function measures progress towards the organizational goals and bring to light/indicates corrective action.
- (ii). **For Evaluating/Judging accuracy of standards:-** A good control system enables management to verify whether the standards set are accurate or not by careful check on the changes taking place in the organizational environment.
- (iii). **Making efficient use of resources:-** By the process of control, a manager seeks to reduce wastage of resources.
- (iv). **Improves employee's motivation:-** A good control system ensures that employees know well in advance what they are expected to do & also the standard of performance. It thus motivates & helps them to give better performance.

(v). **Facilitating Coordination in action:-** In controlling each department and employee is governed by predetermined standards which are well coordinated with one another. Control provides unity of direction.

(vi). **Ensuring order and discipline:-** Controlling creates an atmosphere of order and discipline in the organization by keeping a close check on the activities of its employees.

**( ½ Marks for heading and 1/2 Marks for Explanation)**

**OR**

**Ans.** Leadership is an attempt aimed at influencing people directly towards the attainment of given goals. Leadership may also be defined as an art or process of influencing people so that they will strive willingly and enthusiastically towards the achievement of group goals.

(i) **Authoritarian or autocratic leadership** :-An autocratic leader exercises complete control over the subordinates. He centralises power in himself and takes all decisions without consulting the subordinates.

(ii) **Free-rein or laissez-faire leadership**:- It involves complete delegation of authority so that subordinates themselves take decisions. The free-rein leader avoids holding power and surrenders the authority to subordinates.

**( 1Mark for Meaning and ½ marks for heading and 1 Marks for Explanation)**

**28. Factors Affecting Dividend Decision:- (Any Four)**

(a) **Amount of Earnings**:- Dividends are paid out of current and past earning. Therefore, earnings are a major determinant of the decision about dividend.

(b) **Stability Earnings**:- Other things remaining the same, a company having stable earning is in a better position to declare higher dividends. As against this, a company having unstable earnings is likely to pay smaller dividend.

(c) **Stability of Dividends**:- Companies generally follow a policy of stabilising dividend per share. The increase in dividends is generally made when there is confidence that their earning potential has gone up and not just the earnings of the current year. In other words, dividend per share is not altered if the change in earnings is small or seen to be temporary in nature.

(d) **Growth Opportunities:-** Companies having good growth opportunities retain more money out of their earnings so as to finance the required investment. The dividend in growth companies is, therefore, smaller, than that in the non– growth companies.

(e) **Cash Flow Position:-** The payment of dividend involves an outflow of cash. A company may be earning profit but may be short on cash. Availability of enough cash in the company is necessary for declaration of dividend.

( ½ Marks for heading and ½ Marks for Explanation)

OR

Difference in Fixed Capital and Working Capital

| BASIS              | FIXED CAPITAL   | WORKING CAPITAL  |
|--------------------|---|--|
| 1. Nature          | The amount of fixed capital remains blocked in business.                    | The amount of working capital revolves around in the business.                   |
| 2. Purpose         | Fixed Capital is used to buy fixed assets                                   | Working Capital is used to buy Current Assets and for daily business activities. |
| 3. Liquidity       | It has no liquidity   | It has high liquidity  |
| 4. Source of funds | Equity Shares, Preference Shares, Debentures, Loans, Retained Earnings etc. | Bank Loans, Public Deposits Etc.   |
| 5. Time            | It is required for long term use.   | It is required for short term use  |

( ½ Marks for Each Column Explanation with or without Basis of Difference)

29. Factors affecting fixed capital requirement are: (Any Four)

1. **Nature of Business :-** Manufacturing concerns require huge investment in fixed assets & thus huge fixed capital is required for them but trading concerns need less fixed capital as they are not required to purchase plant and machinery etc.
2. **Scale of Operations :-** An organisation operating on large scale requires more fixed capital as compared to an organisation operating on small scale. For Example - A large scale steel enterprise like TISCO requires large investment as compared to a mini steel plant.

3. **Choice of Technique** :- An organisation using capital intensive techniques requires more investment in plant & machinery as compared to an organisation using labour intensive techniques.
4. **Technology upgradation** :- Organisations using assets which become obsolete faster require more fixed capital as compared to other organisations.
5. **Growth Prospects** :- Companies having more growth plans require more fixed capital. In order to expand production capacity more plant & machinery are required.

**( ½ Marks for heading and ½ Marks for Explanation)**

**30. Responsibilities of a consumer are;-(Any Four)**

- (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 jewelry, 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) Ask for a cash memo on purchase of goods or services. This would serve as a proof of the purchase made.

**( 1 Mark for each correct point)**

**31. (a).Time study**:- It is the technique used to determine the standard time taken by the workers with reasonable skills and abilities to perform a particular task.

Here the job is divided into series of elements and the time required to complete each element idealistically is recorded using a stop watch

- (b). Fatigue study**:- A person is bound to feel tired physically and mentally if she/he does not rest while working. The rest intervals will help one to regain stamina and work again with the same capacity. This will result in increased productivity. Fatigue study seeks to determine the amount and frequency of rest intervals in

completing a task. For example, normally in a plant, work takes place in three shifts of eight hours each.

(c). **Standardisation and Simplification of work:-** Process of setting standards of every business activity to maximize output is called standardisation. Simplification is eliminating unnecessary varieties, sizes and grades of product manufactured in the organisation.

(d). **Mental Revolution:-** It involves a complete change in mental outlook and attitude of workers and management towards one another from competition to cooperation. The management should create pleasant working conditions & workers should work with devotion and loyalty. Instead of fighting over distribution of profits, they must focus attention on increasing it.

**( 1 Mark each Correct Explanation)**

32. Divisional structure will be chosen for this factory because factory is producing more than one type of products.

**Advantages:-**

- (i). **Quick decision-making:-** Divisional manager can take any decision regarding his division independently which makes decisions quick and effective.
- (ii). **Divisional results can be assessed:-** Divisional results (profit/loss) can be assessed easily. On this basis any unprofitable division can be closed.
- (iii). **Growth and Expansion:-** It facilitates growth and expansion as new divisions

**Disadvantages:-**

- (i). Conflicts among different divisions on allocation of resources.
- (ii). Duplicity of Functions: Entire set of functions is required for all divisions. It gives rise to duplicity of efforts among divisions & increases cost.

**( 1 Mark for correct identification and ½ marks for correct heading and ½ marks for correct explanation)**

**OR**

**Importance of Decentralisation (Any five)**

1. **Develops initiative among subordinates**-Decentralisation helps to promote self-reliance and confidence amongst the subordinates.
2. **Develops managerial talent for the future**- Formal training plays an important part in equipping subordinates with skills that help them rise in the organisation but equally important is the experience gained by handling assignments independently.
3. **Quick decision making**- The management hierarchy can be looked upon as a chain of communication. In a decentralised organisation however, since decisions are taken at levels which are nearest to the points of action and there is no requirement for approval from many levels the process is much faster.
4. **Relief to top management**- Decentralisation diminishes the amount of direct supervision exercised by a superior over the activities of a subordinate because they are given the freedom to act and decide albeit within the limits set by the superior.
5. **Facilitates growth**: Decentralisation awards greater autonomy to the lower levels of management as well as divisional or departmental heads. This allows them to function in a manner best suited to their department and fosters a sense of competition amongst the
6. **Better control**: Decentralisation makes it possible to evaluate performance at each level and the departments can be individually held accountable for their results. The extent of achievement of organisational objectives as well as the contribution of each department in meeting the overall objectives can be ascertained.

**( ½ Marks for heading and ½ Marks for Explanation)**

33. Naresh will be able to achieve the desired results by following steps involved in the process of planning.

Steps involved in the process of planning are as follows:

- (i) **Setting objectives**:- The first and foremost step is setting objective. Every organisation must have certain objectives. Objectives may be set for the entire organisation or for each department or unit within the organisation. Objectives or goals specify what the organisation wants to achieve. It could

- mean an increase in sales by 20% which could be an objective of the entire organisation.
- (ii) **Developing premises:-** Premises refers to making assumptions regarding future. Premises are the base on which plans are made. It is a kind of forecast, made keeping in view existing plans and any past information about various policies. There should be total agreement on all these assumptions.
  - (iii) **Identifying alternative courses of action:-** After the setting up of objectives, the managers make a list of alternatives through which the organisation can achieve its objectives as there can be many ways to achieve the objectives and managers must know all those ways to reach these objectives
  - (iv) **Evaluating alternative courses:-** After making the list of various alternatives along with the assumptions supporting them, the manager starts evaluating each and every alternative and note down the positive and negative aspects of each alternative. After this ,the manager start eliminating the negative aspects and the one with maximum positive aspects is selected as best alternative.
  - (v) **Selecting an alternative:-** This is the real point of decision-making. The best plan has to be adopted and implemented. The ideal plan, of course, would be the most feasible, profitable and with least negative consequences. After preparing the main plan, the organisation has to make number of small plans to support the main plan.
  - (vi) **Implementing the plan:-** This is the step where other managerial functions also come into the picture. This step is concerned with putting the plan into action, i.e. doing what is required, e.g. if there is a plan to increase production then more labour and more machinery will be required. This step would also involve organising labour and purchase of machinery.

**( ½ Marks for heading and ½ Marks for Explanation)**

**34.** Advertising is an impersonal form of communication, which is paid for, by the marketers (sponsors) to promote some goods or service. The most common modes of advertising are 'newspapers', 'magazines', 'television' and 'radio'. As it is an impersonal method, it creates monologue and not a dialogue. Advertising can be easily identified by its sponsor.

Benefits of advertising are as follows:

- (i) **Mass communication**:- Advertising is a medium of mass communication. It reaches a large number of people spread over a large geographical area.
- (ii) **Helps in building the image of the firm**:- Advertising helps to build the image of the firm and its products in the minds of buyers who begin to patronise the products. It also helps in building confidence among the prospective buyers about the quality of the products.
- (iii) **Creation of demand**:- Advertising helps in introducing new products and new uses of existing articles or services to create and maintain demand. Demand for the product is created through arising interest and awareness among the prospective buyers, and thereby increasing sales and profits of the organisation.

**( ½ for identification 1 Mark explanation, ½ mark for heading and ½ marks for explanation of point)**

**OR**

Brand name is the verbal component of a brand, e.g. Asian Paints, Safola, Maggi and Uncle Chips are the brand

names.

Characteristics of a good brand

name are:

- (i) **Suggestive**: - A brand name should suggest something about a product's benefits, its use, quality, product nature, purpose, performance, etc.
- (ii) **Short and easy**: - The name should be short, simple, easy to pronounce, recognise and remember e.g. Ponds, VIP, Rin, Vim, etc.

(iii) Capable of registration: - It should be capable of being registered and protected legally under the legislation.

(iv) Distinct: - A brand name should be unique, attractive and distinctive e.g. Sun Light, Fair and Glow, Gold Flake, etc.

(v) Adaptable: - The brand name should be adaptable to packaging or labelling requirements, to different advertising media and different languages.

**( 1 Mark for meaning and ½ marks for heading and ½ marks for Explanation)**