

CLASS 12 CBSE BUSINESS STUDIES

MODEL ANSWER KEY – (SET-1)

Section A – MCQs (Answers)

1. **b) Controlling**
2. **a) Setting Objectives**
3. **b) It ensures unity of action**
4. **b) Number of subordinates under one manager**
5. **b) Staffing**
6. **a) Directing**
7. **b) Wealth maximisation**
8. **c) Distribution of profits**
9. **b) 4**
10. **b) Promotion**
11. **b) Negative**
12. **c) Bonus**
13. **b) Supervision**
14. **c) Leadership**
15. **c) Semantic Problems**
16. **c) Selection of assets in which funds will be invested**
17. **b) Secondary Market**
18. **c) Public Deposits**
19. **c) Product**
20. **c) Staffing**

Section B – Short Answer

21. Limitations of Planning (Any Three)

Planning, though essential, suffers from certain limitations:

1. **Planning Leads to Rigidity** – Once plans are framed, managers hesitate to change them even if environment changes.
 2. **Does Not Guarantee Success** – External factors like government policy, competition, or natural calamities may affect results.
 3. **Reduces Creativity** – Employees may only follow fixed procedures instead of using innovative ideas.
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22. Concept of Delegation

Delegation refers to the process of assigning responsibility and authority to subordinates and creating accountability for performance.

It has three elements:

1. **Authority** – Right to give orders.
2. **Responsibility** – Obligation to perform assigned task.
3. **Accountability** – Being answerable for the outcome.

Delegation reduces workload of managers and increases organisational efficiency.

23. Objectives of Financial Planning

1. **Ensures Availability of Funds** – Adequate funds at right time.
 2. **Proper Utilisation of Funds** – Avoids wastage and idle funds.
 3. **Avoids Over and Under Capitalisation** – Maintains financial stability.
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24. Difference between Authority and Responsibility

Basis	Authority	Responsibility
Meaning	Right to give orders	Obligation to perform
Flow	Downward	Upward
Delegation	Can be delegated	Cannot be fully delegated

25. Functions of Stock Exchange

1. **Provides Liquidity** – Easy buying and selling of securities.
2. **Price Determination** – Determines fair price of shares.
3. **Ensures Safety of Transactions** – Regulated environment.

26. Elements of Promotion Mix

1. **Advertising** – Paid non-personal communication.
2. **Personal Selling** – Face-to-face selling.
3. **Sales Promotion** – Short-term incentives like discount.

Section C – Short Answer II

27. Steps in Organising Process

1. Identification and Division of Work
2. Departmentalisation
3. Assignment of Duties
4. Establishing Reporting Relationships

Organising ensures coordination and clarity in roles.

28. Maslow's Need Hierarchy Theory

Maslow classified human needs into five levels:

1. Physiological Needs
2. Safety Needs
3. Social Needs
4. Esteem Needs
5. Self-Actualisation Needs

Lower level needs must be satisfied before higher level needs.

29. Factors Affecting Capital Structure (Any Four)

1. Cost of Debt
 2. Risk Consideration
 3. Cash Flow Position
 4. Control Consideration
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30. Four Rights of Consumers

1. Right to Safety
 2. Right to Information
 3. Right to Choose
 4. Right to Seek Redressal
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31. Difference Between Primary & Secondary Market

Basis	Primary Market	Secondary Market
Meaning	New securities issued	Existing securities traded
Capital Formation	Yes	No
Participants	Company & Investors	Investors only

Section D – Long Answer

32. Importance of Planning

Planning is the primary function of management. It involves deciding in advance what is to be done, how it is to be done, when it is to be done and by whom it is to be done. It bridges the gap between where we are and where we want to go.

Importance of Planning:

1. **Provides Direction:** Planning clearly defines organisational objectives and guides employees towards achieving them. It reduces confusion and ensures unity of action.
2. **Reduces Risk and Uncertainty:** Although planning cannot eliminate uncertainty, it helps in anticipating future conditions and preparing strategies accordingly.
3. **Facilitates Decision Making:** Planning involves evaluating alternatives and selecting the best course of action, thus improving rational decision-making.
4. **Promotes Innovation and Creativity:** Managers are encouraged to think in advance and develop new ideas and strategies.
5. **Ensures Efficient Utilisation of Resources:** Planning avoids wastage and duplication of work, leading to optimum use of resources.
6. **Establishes Standards for Controlling:** Plans provide standards against which actual performance is measured.

Thus, planning is essential for achieving organisational objectives efficiently and effectively. Without planning, management functions lose direction and coordination.

33. Staffing Process

Staffing is the process of filling and keeping various positions in the organisation structure. It ensures that the right person is placed at the right job.

Steps in Staffing Process:

1. **Manpower Planning:** Estimating the number and type of employees required in the future.
2. **Recruitment:** Searching and attracting potential candidates to apply for the job.
3. **Selection:** Choosing the most suitable candidate through tests, interviews, and reference checks.
4. **Placement and Orientation:** Assigning the selected candidate to a specific job and introducing them to the organisation.
5. **Training and Development:** Providing training to improve present performance and developing skills for future roles.
6. **Performance Appraisal:** Evaluating employee performance to determine promotions or incentives.
7. **Promotion and Career Planning:** Providing growth opportunities to employees.

Staffing plays a crucial role in organisational success because human resources are the most valuable assets. Efficient staffing increases productivity, morale, and overall organisational effectiveness.

34. Functions of Marketing

Marketing is a social and managerial process by which individuals obtain what they need and want through creating and exchanging products and services.

Functions of Marketing:

1. **Gathering and Analysing Market Information:** Understanding customer needs, preferences, and competitor strategies.
2. **Marketing Planning:** Developing marketing strategies to achieve objectives.
3. **Product Designing and Development:** Creating products that satisfy consumer needs.
4. **Standardisation and Grading:** Ensuring uniform quality and classification of products.
5. **Packaging and Labelling:** Protecting products and providing information to consumers.
6. **Branding:** Giving a unique identity to products.
7. **Pricing:** Fixing price considering cost, competition, and demand.
8. **Promotion:** Informing and persuading customers through advertising, personal selling, sales promotion, and public relations.
9. **Physical Distribution:** Ensuring product availability at the right place and time.

Marketing helps in satisfying customers profitably and ensures long-term business survival.

35. Factors Affecting Working Capital Requirements (200+ Words)

Working capital refers to the capital required for day-to-day operations of a business. It is the difference between current assets and current liabilities.

Factors Affecting Working Capital:

1. **Nature of Business:** Manufacturing firms require more working capital than service firms.

2. **Scale of Operations:** Larger firms need more working capital due to higher transactions.
3. **Business Cycle:** During boom period, demand increases, requiring more working capital.
4. **Production Cycle:** Longer production cycles increase working capital requirement.
5. **Credit Policy:** Liberal credit policy increases receivables and working capital needs.
6. **Inventory Turnover:** Slow inventory turnover increases capital blocked in stock.
7. **Seasonal Factors:** Seasonal industries require fluctuating working capital.
8. **Operating Efficiency:** Efficient management reduces requirement of working capital.

Proper management of working capital ensures smooth functioning of business and maintains liquidity and profitability balance.