

# **CLASS 12 CBSE BUSINESS STUDIES**

## **MODEL ANSWER KEY – (SET- 10)**

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### **Section A – MCQs (1 × 20 = 20 Marks)**

1. **b) Thinking before doing**
2. **b) Team spirit**
3. **c) Authority**
4. **b) Authority relationships**
5. **c) Manpower Planning**
6. **b) Asset structure**
7. **b) High risk**
8. **b) Liquidity to securities**
9. **b) Price**
10. **a) Right to Safety**
11. **a) Planning**
12. **a) Scalar Chain**
13. **b) Initiative at lower levels**
14. **a) Liquidity**
15. **a) Ploughing back of profits**
16. **b) Product is complex**
17. **c) National Commission**
18. **b) Social interaction**
19. **a) Credit period allowed increases**
20. **b) Increased efficiency**

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### **Section B – Short Answer I (3 Marks Each)**

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## 21. Features of Planning (Any Three with Examples)

1. **Pervasive** – Planning is required at all levels of management. For example, top management sets strategic objectives while supervisors prepare daily schedules.
  2. **Continuous Process** – Planning is not a one-time activity; plans are reviewed and modified according to environmental changes.
  3. **Mental Exercise** – Planning involves thinking before acting, such as forecasting demand before starting production.
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## 22. Principles of Fayol (Any Three)

1. **Division of Work** – Specialisation increases efficiency and productivity.
  2. **Unity of Command** – An employee should receive orders from only one superior.
  3. **Equity** – Managers should treat employees fairly and kindly.
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## 23. Objectives of Financial Management

1. Wealth maximisation
  2. Ensuring adequate funds
  3. Proper utilisation of funds
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## 24. Authority vs Accountability

<b>Basis</b>	<b>Authority</b>	<b>Accountability</b>
Meaning	Right to give orders	Answerability for performance
Flow	Downward	Upward
Delegation	Can be delegated	Cannot be delegated

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## 25. Functions of Stock Exchange

1. Provides liquidity

2. Ensures safety of transactions
  3. Determines price of securities
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### **26. Elements of Promotion Mix (with examples)**

1. Advertising – TV ads for a new product.
  2. Personal Selling – Salesperson explaining product features.
  3. Sales Promotion – Discounts and free samples.
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### **Section C – Short Answer II (4 Marks)**

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### **27. Steps in Organising Process**

1. Identification and division of work
  2. Departmentalisation
  3. Assignment of duties
  4. Establishing reporting relationships
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### **28. Herzberg's Two-Factor Theory**

Herzberg classified factors into two categories:

**Hygiene Factors** – Salary, working conditions, job security. Their absence causes dissatisfaction but their presence does not strongly motivate.

**Motivational Factors** – Achievement, recognition, growth and responsibility. Their presence leads to satisfaction and improved performance.

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### **29. Factors Affecting Dividend Decision**

1. Earnings of the company
  2. Stability of earnings
  3. Growth opportunities
  4. Cash flow position
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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. Primary Market vs Secondary Market

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

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### Section D – Long Answers

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### 32. Importance of Planning

Planning is the primary function of management which 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 lays the foundation for all other managerial functions.

Planning provides direction by clearly defining organisational objectives and guiding employees toward their achievement. It reduces uncertainty by anticipating future events and preparing strategies accordingly. Though risks cannot be completely eliminated, planning minimises them.

Planning promotes innovative ideas as managers think creatively while framing strategies. It ensures optimum utilisation of resources by avoiding duplication and wastage. Planning facilitates decision-making by evaluating alternatives and selecting the best course of action.

Another important role of planning is establishing standards for controlling. Actual performance is compared with planned targets, deviations are identified and corrective

actions are taken. Thus, planning enhances coordination, efficiency and overall organisational performance.

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### **33. Staffing Process with Steps and Importance**

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

The first step is manpower planning where future human resource requirements are estimated. Recruitment follows, involving attracting suitable candidates. Selection is the process of choosing the most appropriate candidate through tests and interviews.

After selection, placement assigns job roles and orientation familiarises employees with organisational culture. Training and development improve knowledge and skills. Performance appraisal evaluates efficiency and determines promotions and rewards.

Staffing is important because human resources are the most valuable asset of any organisation. Efficient staffing increases productivity, improves morale and ensures long-term organisational success.

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### **34. Marketing Mix (4Ps) in Detail**

Marketing mix refers to the combination of four elements used by a company to satisfy customer needs and achieve business objectives.

Product includes quality, features, branding and packaging. Price determines revenue and depends on cost, competition and demand. Place ensures availability through effective distribution channels. Promotion includes advertising, personal selling and sales promotion.

Proper coordination of these elements ensures customer satisfaction and competitive advantage.

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### **35. Factors Affecting Working Capital Requirement**

Working capital is required for day-to-day business operations.

Nature of business affects requirement; manufacturing firms require more capital than service firms. Scale of operations also influences working capital. Production cycle length increases capital need.

Credit policy affects receivables; liberal credit increases requirement. Business cycle conditions and inventory turnover also impact working capital.

Proper management ensures liquidity and profitability balance.