

CLASS 12 CBSE BUSINESS STUDIES

MODEL ANSWER KEY – SET 2

Section A – MCQs (Answers)

1. **a) Strategy**
2. **b) Unity of Direction**
3. **c) Organising**
4. **d) Training**
5. **a) Stimulus**
6. **c) Optimum utilisation of funds**
7. **b) Borrowed capital**
8. **b) Long-term funds**
9. **b) Price**
10. **a) Consumer Protection**
11. **b) Negative**
12. **c) Job Security**
13. **b) Scalar Chain**
14. **b) Apprenticeship**
15. **c) Primary Market**
16. **c) Retained earnings**
17. **a) Identification**
18. **b) Mass communication**
19. **b) Controlling**
20. **c) Issuing shares**

Section B – Short Answer

21. Limitations of Planning (Any Three)

1. **Leads to Rigidity** – Plans once framed may resist change.
 2. **Does Not Guarantee Success** – External environment is uncertain.
 3. **Time Consuming Process** – Requires detailed analysis and forecasting.
-

22. Principles of Scientific Management (Any Three)

1. **Science, Not Rule of Thumb** – Decisions based on scientific analysis.
 2. **Harmony, Not Discord** – Cooperation between management and workers.
 3. **Development of Each Person to His Greatest Efficiency** – Training and skill improvement.
-

23. Objectives of Financial Management

1. Wealth Maximisation
 2. Ensuring Adequate Funds
 3. Proper Utilisation of Funds
-

24. Difference Between Authority and Accountability

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

25. Functions of Stock Exchange

1. Provides Liquidity
2. Ensures Safety of Transactions
3. Helps in Price Determination

26. Three Rights of Consumers

1. Right to Safety
2. Right to Information
3. Right to Seek Redressal

Section C – Short Answer

27. Steps in Organising Process

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

28. Maslow's Need Hierarchy Theory

Maslow classified 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

1. Cost of Debt
2. Risk Consideration
3. Cash Flow Position
4. Control Consideration

30. Four Functions of Marketing

1. Gathering & Analysing Market Information
 2. Product Designing & Development
 3. Pricing
 4. Promotion
-

31. Difference Between Formal & Informal Organisation

Basis	Formal Organisation	Informal Organisation
Meaning	Official structure	Social relationships
Authority	Clearly defined	No official authority
Communication	Formal channel	Informal channel

Section D – Long Answers

32. Importance of Planning

Planning is the primary function of management that 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 objectives and guiding employees toward their achievement. It reduces uncertainty by anticipating future events and preparing strategies accordingly. Although it cannot eliminate risks, it helps in minimizing them.

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

Moreover, it establishes standards for controlling. Actual performance is compared with planned targets to identify deviations and take corrective measures. Therefore, planning increases organisational efficiency and helps in achieving long-term success systematically.

33. Staffing Process (200+ Words)

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

The first step is **manpower planning**, where future manpower requirements are estimated. Next is **recruitment**, which involves attracting suitable candidates. After recruitment comes **selection**, where the most appropriate candidate is chosen through tests and interviews.

Selected employees are then given **placement and orientation** to adjust them to the organisation. **Training and development** are provided to enhance knowledge and skills. **Performance appraisal** is conducted to evaluate performance and determine promotions.

Staffing is important because human resources determine organisational success. Efficient staffing improves productivity, employee morale, and long-term growth.

34. Elements of Promotion Mix (200+ Words)

Promotion mix refers to the combination of promotional tools used by a company to communicate with customers.

The main elements are:

1. **Advertising** – Paid form of non-personal communication through media such as TV, newspapers, and internet.
2. **Personal Selling** – Face-to-face interaction between seller and buyer to persuade purchase.
3. **Sales Promotion** – Short-term incentives like discounts, coupons, and free samples to boost sales.
4. **Public Relations** – Building goodwill and maintaining a positive company image.

Promotion mix helps in creating awareness, generating demand, and increasing sales. Proper combination depends on product type, target market, and budget.

35. Factors Affecting Working Capital (200+ Words)

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

Factors affecting it include:

1. Nature of Business
2. Scale of Operations
3. Production Cycle
4. Credit Policy
5. Business Cycle
6. Inventory Turnover
7. Seasonal Factors

Manufacturing firms require more working capital than service firms. A longer production cycle increases capital requirement. Liberal credit policy increases receivables and working capital need.

Efficient management of working capital ensures liquidity and smooth operations.