

# **CLASS 12 CBSE BUSINESS STUDIES**

## **MODEL ANSWER KEY – SET 4**

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

1. **b) Anticipating future events**
2. **b) Fairness and justice**
3. **d) Centralisation**
4. **b) Large organisations**
5. **d) Placement**
6. **a) Debt component**
7. **a) Asset structure**
8. **c) Short-term**
9. **c) 4Ps**
10. **c) Right to Strike**
11. **b) Setting standards**
12. **b) Noise**
13. **c) Laissez-faire**
14. **c) Internal source**
15. **b) Low returns**
16. **a) Regulation of stock exchanges**
17. **c) Cost-plus pricing**
18. **b) Industrial goods**
19. **b) ₹2 crore**
20. **c) Accounting**

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

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

1. **Leads to Rigidity** – Once plans are made, managers hesitate to change them even when environment changes.
  2. **Does Not Guarantee Success** – For example, sudden government policy changes may affect business.
  3. **Time Consuming Process** – Detailed planning requires time and resources.
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## 22. Principles of Management by Fayol (Any Three)

1. **Division of Work** – Specialisation increases efficiency.
  2. **Unity of Command** – One employee should receive orders from one superior.
  3. **Equity** – Managers should be fair and kind to employees.
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## 23. Objectives of Financial Management

1. Wealth Maximisation
  2. Ensuring Adequate Funds
  3. Optimum Utilisation of Funds
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## 24. Difference Between Centralisation and Decentralisation

<b>Basis</b>	<b>Centralisation</b>	<b>Decentralisation</b>
Meaning	Authority concentrated at top	Authority distributed
Decision Making	Slow	Faster
Initiative	Limited	Encouraged

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## 25. Functions of Stock Exchange

1. Provides Liquidity
2. Determines Price of Securities
3. Ensures Safety of Transactions

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**26. Features of Marketing (Any Three)**

1. Customer-Oriented Process
2. Continuous Process
3. Exchange Mechanism

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**Section C – Short Answer II (4 Marks Each)**

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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. Maslow's Need Hierarchy Theory**

Maslow divided needs into five levels:

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

Lower-level needs must be satisfied before higher-level needs.

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**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. Functions of SEBI (Any Four)

1. Regulates stock exchanges
  2. Protects investors
  3. Prevents unfair trade practices
  4. Promotes development of securities market
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### 31. Difference Between Formal and Informal Organisation

Basis	Formal Organisation	Informal Organisation
Meaning	Official structure	Social network
Authority	Clearly defined	No official authority
Communication	Formal channels	Informal channels

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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 to employees by clearly defining objectives. It reduces uncertainty by forecasting future events and preparing strategies accordingly. Although planning cannot eliminate risks, it minimises them.

It promotes innovative ideas as managers think creatively while framing plans. Planning ensures optimum utilisation of resources by avoiding duplication and wastage. It improves coordination among departments as everyone works towards common objectives.

Planning establishes standards for controlling. Actual performance is compared with planned targets to identify deviations and take corrective actions. Thus, planning enhances organisational efficiency and ensures systematic achievement of goals.

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### **33. Staffing Process**

Staffing refers to the process of filling and keeping various positions in the organisation.

The first step is manpower planning which estimates future human resource needs. Recruitment involves attracting potential candidates. Selection is choosing the most suitable candidate through tests and interviews.

After selection, placement assigns the job role and orientation introduces the employee to organisational culture. Training and development improve employee skills and future capabilities. Performance appraisal evaluates performance for promotion and incentives.

Staffing ensures right person at right job, increases productivity and improves employee morale. It plays a vital role in organisational success.

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### **34. Marketing Mix (4Ps) (200+ Words)**

Marketing mix refers to the combination of four elements used by a firm to satisfy customers.

1. **Product** – Includes quality, design, branding, packaging and features.
2. **Price** – Amount charged for the product, determines revenue.
3. **Place** – Distribution channels ensuring product availability.
4. **Promotion** – Advertising, personal selling, sales promotion and public relations.

Proper coordination of these elements helps in achieving customer satisfaction and profit maximisation.

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

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

Factors include:

1. Nature of Business
2. Scale of Operations
3. Production Cycle
4. Credit Policy
5. Business Cycle

6. Inventory Turnover

7. Seasonal Factors