

CLASS 12 CBSE BUSINESS STUDIES

MODEL ANSWER KEY – SET 5

Section A – MCQs (1 × 20 = 20 Marks)

1. a) Present and future
2. b) Motion Study
3. b) Faster decision-making
4. c) Fear of authority
5. c) High debt
6. c) Dividend decision
7. b) RBI
8. c) Product is innovative
9. b) Right to be Heard
10. a) Achievement of standards
11. b) Manpower planning
12. c) Development
13. c) Parity of Authority and Responsibility
14. b) Debt-equity mix
15. b) Secondary market
16. c) Personal Selling
17. b) 2 years
18. b) Employees are highly competent
19. d) Optional
20. b) Longer production cycle

Section B – Short Answer I (3 Marks Each)

21. Three Features of Planning (with examples)

1. **Planning is Pervasive** – It is required at all levels. For example, top management frames corporate plans while supervisors prepare daily work schedules.
 2. **Planning is Continuous** – Plans are revised regularly according to environmental changes.
 3. **Planning is a Mental Exercise** – It involves thinking before acting, such as forecasting future demand.
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22. Principles of Scientific Management (Any Three)

1. **Science, Not Rule of Thumb** – Use scientific analysis instead of traditional methods.
 2. **Harmony, Not Discord** – Promote cooperation between workers and management.
 3. **Development of Each Person to His Greatest Efficiency** – Provide proper training.
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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. Delegation vs Decentralisation

Basis	Delegation	Decentralisation
Meaning	Transfer of authority to subordinates	Systematic dispersal of authority
Scope	Individual relationship	Organisation-wide
Accountability	Remains with superior	Shared across levels

25. Functions of SEBI

1. Regulates securities market

2. Protects investors
 3. Prevents unfair trade practices
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26. Elements of Promotion Mix

1. Advertising
 2. Personal Selling
 3. Sales Promotion
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Section C – Short Answer II (4 Marks)

27. Steps in Planning Process

1. Setting Objectives
 2. Developing Premises
 3. Identifying Alternatives
 4. Evaluating Alternatives
 5. Selecting Best Alternative
 6. Implementing Plan
 7. Follow-up Action
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28. Herzberg's Two-Factor Theory

Herzberg classified factors into:

Hygiene Factors – Salary, working conditions, job security. Their absence causes dissatisfaction.

Motivational Factors – Achievement, recognition, growth. Their presence increases satisfaction.

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. Money Market vs Capital Market

Basis	Money Market	Capital Market
Duration	Short-term	Long-term
Instruments	T-bills, CP	Shares, Debentures
Risk	Low	Comparatively higher

Section D – Long Answers

32. Importance of Organising

Organising is the process of identifying and grouping activities, assigning duties, and establishing authority relationships to achieve organisational objectives effectively. It follows planning and provides a structured framework within which the organisation operates.

Organising is important because it clarifies working relationships. Every employee knows his responsibilities and to whom he is accountable. This reduces confusion and duplication of work. Through departmentalisation, similar activities are grouped together which promotes specialisation and increases efficiency.

Organising ensures optimum utilisation of resources. Tasks are assigned according to employee competence, leading to better performance and productivity. It also

facilitates coordination among various departments as authority and communication channels are clearly defined.

Another important aspect of organising is that it helps in effective delegation and decentralisation. Authority can be transferred to lower levels, enabling faster decision-making and reducing the burden on top management. This increases employee motivation and initiative.

Organising also provides stability to the organisation. Even if employees leave, the structure remains intact. It creates a systematic framework for smooth functioning and achievement of goals.

Thus, organising plays a vital role in improving efficiency, coordination, and overall organisational performance.

33. Staffing Process

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, which estimates the number and type of employees required in the future. This is followed by recruitment, which involves attracting potential candidates from various sources. Selection is the next step where the most suitable candidate is chosen through tests, interviews, and background checks.

After selection, placement assigns the job role, and orientation introduces the employee to organisational policies and culture. Training and development improve knowledge and skills to enhance performance. Performance appraisal evaluates employee efficiency and determines promotions and rewards.

Staffing is crucial because human resources are the most valuable assets of an organisation. Efficient staffing increases productivity, morale, and organisational growth. It also ensures continuity of business operations and helps achieve long-term objectives.

34. Marketing Mix (4Ps)

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

The first element is **Product**, which includes quality, features, design, branding, and packaging. A product must satisfy customer needs and provide value.

The second element is **Price**, which is the amount charged for a product. Pricing decisions affect revenue and profitability. Factors such as cost, competition, and demand influence price determination.

The third element is **Place**, which refers to distribution channels used to make products available to customers. Efficient distribution ensures product availability at the right time and place.

The fourth element is **Promotion**, which includes advertising, personal selling, sales promotion, and public relations. Promotion informs and persuades customers.

Proper coordination of these four elements helps in achieving customer satisfaction and competitive advantage.

35. Factors Affecting Working Capital Requirement

Working capital is the capital required for day-to-day business operations. It ensures smooth functioning of business activities.

Several factors affect working capital requirement. The nature of business plays a significant role. Manufacturing firms require more working capital than service firms. Scale of operations also matters; larger firms need more capital due to higher transaction volume.

Production cycle length directly affects working capital. A longer production cycle increases the need for funds. Credit policy influences receivables; liberal credit policy increases working capital requirement.

Business cycle also affects it. During boom period, demand increases and more working capital is required. Inventory turnover rate determines how quickly stock is converted into sales; slow turnover increases capital requirement.

Seasonal factors also influence working capital in seasonal industries.

Proper management of working capital ensures liquidity and profitability balance.