

CLASS 12 CBSE BUSINESS STUDIES

MODEL ANSWER KEY – SET 6

Section A – MCQs (1 × 20 = 20 Marks)

1. **b) Predicts future environment**
2. **b) Taylor**
3. **b) Top to bottom**
4. **a) Faster decision-making**
5. **b) Investment in plant and machinery**
6. **a) Use of fixed cost funds**
7. **c) Companies**
8. **a) Competition is high**
9. **c) Right to Seek Redressal**
10. **c) Corrective action**
11. **c) Manpower Planning**
12. **b) Near the workplace**
13. **b) Esprit de Corps**
14. **b) Long-term profitability**
15. **b) High financial risk**
16. **b) Liquidity to securities**
17. **b) Product is technical**
18. **c) National Commission**
19. **b) Social relations**
20. **a) Credit period allowed increases**

Section B – Short Answer I (3 Marks Each)

21. Three Limitations of Planning (with examples)

1. **Leads to Rigidity** – Once plans are made, managers may resist changes even if environment changes.
 2. **Does Not Guarantee Success** – For example, sudden policy changes may affect outcomes.
 3. **Time Consuming** – Detailed forecasting requires time and cost.
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22. Three Principles of Fayol (with examples)

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

1. Ensures availability of funds
 2. Proper utilisation of funds
 3. Avoids over and under capitalisation
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24. Formal vs Informal Organisation

| Basis | Formal Organisation | Informal Organisation |
|---------------|----------------------------|------------------------------|
| Meaning | Official structure | Social network |
| Authority | Defined | Not defined |
| Communication | Formal channel | Informal channel |

25. Functions of Stock Exchange

1. Provides liquidity
2. Ensures safety of transactions
3. Determines price of securities

26. Features of Promotion Mix

1. Combination of tools
2. Communication oriented
3. Aims at increasing sales

Section C – Short Answer II (4 Marks)

27. Steps in Organising Process

1. Identification and division of work
2. Departmentalisation
3. Assignment of duties
4. Establishing reporting relationships

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

29. Factors Affecting Capital Structure

1. Cost of debt
 2. Risk consideration
 3. Cash flow position
 4. Control consideration
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30. Functions of SEBI

1. Regulates stock exchanges
 2. Protects investors
 3. Prevents unfair trade practices
 4. Promotes development of securities market
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31. Primary vs 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 Answers (Approx. 200 Words Each)

32. Importance of Planning (≈200 Words)

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 planning cannot eliminate risks completely, it helps in minimising them.

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

Another important role of planning is that it establishes standards for controlling. Actual performance is compared with planned targets, and deviations are corrected. Thus, planning improves coordination, efficiency, and overall organisational performance.

33. Staffing Process with Importance (≈200 Words)

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

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

After selection, placement assigns the job role and orientation familiarises employees with organisational culture. Training and development enhance skills and knowledge. Performance appraisal evaluates employee performance and determines promotions and incentives.

Staffing is important because human resources are the most valuable asset of any organisation. Efficient staffing increases productivity, improves employee morale, and ensures long-term growth. It helps organisations achieve their objectives effectively.

34. Marketing Mix (4Ps) with Examples (≈200 Words)

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

The first element is **Product**, which includes quality, features, branding, packaging, and design. For example, a smartphone company focuses on advanced features to attract customers.

The second element is **Price**, which determines revenue and profitability. Pricing decisions depend on cost, competition, and demand.

The third element is **Place**, which ensures product availability through distribution channels such as wholesalers and retailers.

The fourth element is **Promotion**, which includes advertising, personal selling, sales promotion, and public relations to inform and persuade customers.

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

35. Factors Affecting Working Capital Requirement (≈200 Words)

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

The nature of business affects working capital; manufacturing firms require more capital than service firms. Scale of operations also influences requirement as larger firms need more funds.

Production cycle length is another factor. A longer production cycle increases capital requirement. Credit policy affects receivables; liberal credit increases working capital needs.

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

Proper management of working capital ensures liquidity and profitability balance.