

CLASS 12 CBSE BUSINESS STUDIES

MODEL ANSWER KEY – SET 7

Section A – MCQs (1 × 20 = 20 Marks)

1. **b) Is required at all levels of management**
2. **b) Taylor**
3. **c) Accountability**
4. **b) Retention of authority at top level**
5. **c) Investment decision**
6. **b) High financial risk**
7. **b) Money Market**
8. **c) Cost**
9. **b) Right to be Heard**
10. **c) Corrective action**
11. **b) Recruitment**
12. **c) Vestibule training**
13. **b) Unity of Command**
14. **b) Adequate funds**
15. **b) Liquidity**
16. **b) Building company image**
17. **a) District Commission**
18. **b) Quick transmission of information**
19. **c) Inventory turnover increases**
20. **b) Motivation**

Section B – Short Answer I (3 Marks Each)

21. Features of Planning (Any Three with Examples)

1. **Pervasive** – Planning is required at all levels. For example, top management sets objectives, while supervisors plan daily schedules.
 2. **Continuous Process** – Plans are revised regularly according to environmental changes.
 3. **Mental Exercise** – Planning involves thinking before acting, such as forecasting demand before production.
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22. Principles of Scientific Management (Any Three)

1. **Science, Not Rule of Thumb** – Use scientific methods to determine the best way of doing work.
 2. **Harmony, Not Discord** – Promote cooperation between management and workers.
 3. **Cooperation, Not Individualism** – Work together to achieve organisational goals.
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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 Responsibility

| Basis | Authority | Responsibility |
|--------------|----------------------|---------------------------|
| Meaning | Right to give orders | Obligation to perform |
| Flow | Downward | Upward |
| Delegation | Can be delegated | Cannot be delegated fully |

25. Functions of SEBI

1. Regulates stock exchanges
 2. Protects investors
 3. Prevents unfair trade practices
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26. Tools 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 the 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 leads to satisfaction and motivation.

29. Factors Affecting Capital Structure

1. Cost of debt

2. Risk consideration
 3. Cash flow position
 4. Control consideration
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30. Four Rights of Consumers (with examples)

1. Right to Safety – Protection from hazardous goods.
 2. Right to Information – Correct product details.
 3. Right to Choose – Access to variety of products.
 4. Right to Seek Redressal – Compensation for defective goods.
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31. Centralisation vs Decentralisation

| Basis | Centralisation | Decentralisation |
|-----------------|-----------------------|-----------------------------|
| Authority | Concentrated at top | Distributed at lower levels |
| Decision Making | Slower | Faster |
| Initiative | Limited | Encouraged |

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 efficiently. It follows planning and provides a structured framework for smooth functioning.

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

Organising ensures optimum utilisation of resources by assigning tasks according to employee skills and competence. It also facilitates coordination among departments as authority and communication channels are clearly defined.

Another advantage of organising is that it enables effective delegation and decentralisation. Authority can be transferred to lower levels, leading to faster decision-making and reduced burden on top management. It increases employee motivation and initiative.

Thus, organising creates a systematic structure that improves efficiency, coordination and overall organisational performance.

33. Staffing Process with Importance

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

The first step is manpower planning, where future manpower requirements are estimated. Recruitment involves attracting suitable candidates from different sources. Selection is 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.

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

34. Marketing Mix (4Ps)

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

Product includes quality, design, branding and packaging. Price determines revenue and depends on cost and competition. Place ensures product availability through distribution channels. Promotion includes advertising, personal selling and sales promotion to inform customers.

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

35. Factors Affecting Working Capital Requirement

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

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

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

Proper management ensures liquidity and profitability balance.