

# **CLASS 12 CBSE BUSINESS STUDIES**

## **MODEL ANSWER KEY – SET 8**

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

1. **b) Organisational objectives**
2. **b) Unity of Command**
3. **b) Assigning duties**
4. **c) Manpower Planning**
5. **c) Recognition**
6. **b) Adequate funds at right time**
7. **b) Financial risk**
8. **b) Liquidity**
9. **b) Price**
10. **d) Right to Seek Redressal**
11. **b) Setting standards**
12. **b) Equity**
13. **b) Efficiency**
14. **b) Long-term investment decisions**
15. **c) Internal source**
16. **c) Discount**
17. **c) National Commission**
18. **b) Social interaction**
19. **b) Production cycle increases**
20. **a) Employee morale**

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

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

1. **Pervasive** – Planning is required at all levels of management. For example, top management sets overall goals while supervisors plan daily tasks.
  2. **Continuous Process** – Plans are reviewed and revised regularly according to environmental changes.
  3. **Mental Exercise** – Planning involves thinking in advance, such as forecasting demand before starting production.
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## 22. Principles of Fayol (Any Three)

1. **Division of Work** – Specialisation increases efficiency.
  2. **Unity of Command** – An employee should receive orders from only one superior.
  3. **Equity** – Managers should treat employees fairly and kindly.
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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. Formal vs Informal Organisation

<b>Basis</b>	<b>Formal Organisation</b>	<b>Informal Organisation</b>
Meaning	Official structure	Social relationships
Authority	Clearly defined	Not defined
Communication	Formal channels	Informal channels

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## 25. Functions of Stock Exchange

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

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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)**

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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 classified human 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.

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**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. 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

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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 provides direction to all managerial activities.

Planning helps in achieving organisational objectives by clearly defining goals and guiding employees toward them. It reduces uncertainty by anticipating future events and preparing strategies accordingly. Though risks cannot be eliminated completely, planning minimises them.

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

Another important role of planning is establishing standards for controlling. Actual performance is compared with planned targets to identify deviations and take

corrective actions. Therefore, planning improves coordination, efficiency and overall organisational effectiveness.

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### **33. Staffing Process in Detail**

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 internal and external sources. 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 policies. Training and development enhance skills and knowledge for better performance. Performance appraisal evaluates efficiency and determines promotions and rewards.

Staffing plays a crucial role in organisational success because human resources are the most valuable asset. Efficient staffing increases productivity, improves employee morale and ensures achievement of organisational objectives.

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### **34. Marketing Mix (4Ps) with Examples**

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

The first element is **Product**, which includes quality, features, design and branding. For example, a mobile company adds advanced features to attract customers.

The second element is **Price**, which determines revenue and depends on cost, competition and demand.

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

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

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

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

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

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 increases working capital need. Credit policy affects receivables; liberal credit increases capital requirement. Business cycle conditions also impact working capital. Inventory turnover rate determines how quickly stock is converted into sales; slow turnover increases requirement.

Proper management of working capital maintains liquidity and profitability balance.