Subject: Business Studies  
Class: XII, Set 1  
Paper: Marking Scheme CBSE (OD 66/4/1) 2018-19  
Time: 3 Hours  
Max. Marks: 80 Marks

General Instruction:
1. Answers to questions carrying 1 mark may be from one word to one sentence.
2. Answers to questions carrying 3 marks may be from 50-75 words.
3. Answers to questions carrying 4-5 marks may be about 150 words.
4. Answers to questions carrying 6 marks may be about 200 words.
5. Attempt all parts of a question together.

Section A

Q. 1 Principles of management equip the managers to foresee the cause and effect relationships of their decisions and actions so that the wastages associated with a trial and error approach can be overcome. Identify the point of significance of principles of management highlighted here.  
Ans. Optimum utilization of resources. (1)

Q. 2 How are ‘Policies’ and ‘Procedures’ interlinked.  
Ans. Policies are general statements that guide thinking or channelise energies towards a particular direction, while Procedures are routine steps on how to carry out activities. They detail the exact manner in which any work is to be performed. They are specified in a chronological order. Procedures are specified steps to be followed in particular circumstances. They are generally meant for insiders to follow. The sequence of steps or actions to be taken are generally to enforce a policy and to attain pre-determined objectives. Policies and procedures are interlinked with each other.  

OR

Q. 3 What is meant by ‘Developing Premises’ in the process of planning.  
Ans. Planning is concerned with the future which is uncertain and every planner is using conjecture about what might happen in future. Therefore, the manager is required to make certain assumptions about the future. These assumptions are called premises. (1)

Q. 4 Why is it said that Controlling is a continuous activity  
Ans. Controlling is a continuous activity as under controlling the progress has to assessed by reviving and revising the task. The premises or assumptions must be the same for all and there should be total agreement on them. (1)

OR

Q. 5 Why is Controlling called a forward looking function.  
Ans. Controlling is called as forward looking function because the corrective action initiated by control function aims to improve future performance.
Q. 4 State any one function performed by non-governmental organizations for protection and promotion of interest of consumers. (1)
Ans. The function performed by non-governmental organizations for protection and promotion of interest of consumers.
(a) Accelerating consumer awareness/Educating Consumer.
(b) Filing suit on behalf of consumer.

Q. 5 What is the meant by ‘Packaging’. (1)
Ans. Packaging refers to the act of designing and producing the container or wrapper of a product. Packaging plays a very important role in the marketing success or failure of many products, particularly the consumer non-durable products.

OR
State any one quality of a good salesman. (1)
Ans. The quality of good salesman (Any One)
(i) Physical Qualities
(ii) Mental Qualities
(iii) Social Qualities
(iv) Communication Skills
(v) Patience
(vi) Persistent

Q. 6 Koby Ltd. is an 87 year old reputed consumer goods company. It is known for offering good quality electronics products at reasonable prices. It has branches all over India. It has a large shareholder base. The shareholder desire that some dividend is paid every year on their investments. Company’s management understands that it is important to keep the shareholders happy and satisfied. As a matter of policy, they declare a certain amount of dividend every year out of profits rather than reinvesting the whole as retained earnings. Identify the factor affecting dividend decision being highlighted in the above situation. (1)

Q. 7 Mahima Jain is the Senior Manager in the Advisory Services department of Kodes Ltd. She regularly prepares performance reports of her subordinates as a part of the appraisal. Identify the step of controlling process performed by her. (1)
Ans. Measurement of Actual Performance

Q. 8 Ravi Jain was the Chief Executive Officer of Nath Traders. He was worried about the heavy expenditure on advertising. He asked his Finance Manager, Mohit Verma to know the views of the Sales Manager and his team regarding his expenditure. Mohit Verma was thinking of calling a meeting of the Sales Manager and his team after tea break. But by chance at the
time of tea-break, Mohit Verma met with the Sales Manager and his team in the canteen. They all discussed about this expenditure and finalized to give suggestion to reduce this expenditure. Identify the type of organization which helped the Finance Manager Mohit Verma, the Sales Manager and his team is finalizing the suggestion. (1)

Ans. Informal organization

Section B

Q. 9 Explain any three points that highlight the importance of controlling function of Management. [CBSE (D) 2018, (D) 2016] (3)

Ans. The importance of controlling function are (Any Three)
(i) Accomplishing organisational goals.
(ii) Making efficient use of resources.
(iii) Ensuring order and discipline.
(iv) Improving employee motivation.
(v) Judging accuracy of standards.
(vi) Facilitating co-ordination in action.

OR

Explain with the help of an example how ‘Management by Exception’ helps in the controlling process.

Ans. Management by exception is a principle of managerial control that states that a manager trying to control everything may end up controlling nothing. Thus, it is the significant deviations which go should be brought to the notice of management beyond the permissible limit. Thus, only significant deviations should be brought to the notice of management. Example: Plans of company lays down 10% increase in advertisement cost as an acceptable range of deviation, then only increase in advertisement cost beyond 10% should be brought into notice of the management.

Q. 10 Kavita Ghai was the Managing Director of a restaurant in Lucknow called ‘Healthy Kitchen’. The restaurant was doing well and the volume of work started increasing slowly and steadily. Kavita Ghai was not able to manage all the work on her own. The increasing magnitude of work made it impractical for her to handle it all by herself. Moreover her objective is to open more branches of this restaurant at different places. She appointed Nikhil Gupta, as a General Manager of ‘Healthy Kitchen’, Lucknow and gave him the right to command his subordinates and to take action within the scope of his position. For smooth running of the restaurant she also gave him authority to hire and train the staff as per the requirements. Kavita Ghai was satisfied with the work of Nikhil Gupta and was able to open other branches of the restaurant in Agra and Kanpur also.

(a) Identify the concept followed by Kavita Ghai which helped her to open the new branches of the restaurant.
(b) Also, explain briefly the two points of importance of the concept identified in (a) above. (3)

Ans. (a) The concept followed by Kavita Ghai which helped her to open the new branches of the restaurant is ‘Delegation’.

(b) Importance of delegation are (Any Two)

(i) Effective management: By empowering the employees, the managers are able to function more efficiently as they get more time to concentrate on important matters. Freedom from doing routine work provides them with opportunities to excel in new areas.

(ii) Facilitation of growth: Delegation helps in the expansion of an organisation by providing a ready workforce to take up leading positions in new ventures. Trained and experienced employees are able to play significant roles in the launch of new projects by replicating the work ethos they have absorbed from existing units, in the newly set up branches.

(iii) Basis of management hierarchy: Delegation of authority establishes superior-subordinate relationships, which are the basis of hierarchy of management. It is the degree and flow of authority which determines who has to report to whom. The extent of delegated authority also decides the power that each job position enjoys in the organisation.

(iv) Motivation of employees: Delegation helps in developing the talents of the employees. It also has psychological benefits. When a superior entrusts a subordinate with a task, it is not merely the sharing of work but involves trust on the superior’s part and commitment on the part of the subordinate. Responsibility for work builds the self-esteem of an employee and improves his confidence.

Q. 11 Explain with the help of any three points how proper Financial Planning enables the companies to tackle the uncertainty in respect of availability and timings of fund and helps in smooth functioning of the organization. (3)

Ans. The importances of financial planning are: (Any Three)

(i) Helps in avoiding business shocks and surprises and helps the company in preparing for the future.

(ii) Helps in co-ordinating various business functions e.g., sales and production functions, by providing clear policies and procedures.

(iii) Detailed plans of action prepared under financial planning reduce waste, duplication of efforts, and gaps in planning.

(iv) It provides a link between investment and financing decisions on a continuous basis.

(v) By spelling out detailed objectives for various business segments, it makes the evaluation of actual performance easier.

OR
How do debt and equity differ in their costs and risks involved. Explain.

**Ans.** **Cost:** Cost of debt is cheaper than the cost of equity as the lender earn an assured return which makes the debts cheaper than equity. Secondly, interest paid is deductible from tax liability whereas dividend on shares is paid from profit after tax.

**Risk:** Debts is cheaper but risky for a business as interest on debt has to be paid irrespective of profit earned. On the contrary return to shareholder doesn’t any payment obligations.

**Q. 12** How is ‘planning is a pervasive function of management. Explain.

**Ans.** Planning is considered as pervasive function of management as it is required at all levels of management as well as in all departments of the organisation. It is not an exclusive function of top management nor of any particular department.

**Example** (i) Top management undertakes planning for the organisation as a whole.

(ii) Middle management does the departmental planning.

(iii) At the lowest level, day-to-day operational planning is done by supervisors.

**Q. 13** Indian equity markets are going through a phase of boom. There is a huge growth potential for innovative technologies. This has resulted in lots of new ventures vying for a market share and old enterprise trying to keep up with the pace with which changes are taking place in the economy. The technological innovation has helped even smaller business to compete on a global scale. Identify and explain the three factors highlighted above which affect the working capital requirements of such enterprises.

**Ans.** The factor highlighted above which affect the working capital requirements of such enterprise are:

(i) **Seasonal Factors/Cycle:** Most business have some seasonality in their operations. In peak season, because of higher level of activity, higher amount of working capital is required. As against this, the level of activity as well as the requirement for working capital will be lower during the lean season.

(ii) **Competition:** Higher level of competitiveness may necessitate higher stocks of finished goods to meet urgent orders from customers. This increases the working capital requirement. Competition may also force the firm to extend liberal credit terms discussed earlier.

(iii) **Scale of Operations:** For organisations which operate on a higher scale of operation, the quantum of inventory, debtors required is generally high. Such organisations, therefore, require large amount of working capital as compared to the organisations which operate on a lower scale.

**Section C**

**Q. 14** In an environment of rising petroleum prices and a large middle class population India, KV Motors Ltd. recognized the need for small cars in India. It created the product far superior than their competitors not only in terms of quality but also in terms of overall driving
experience. It soon became the leader in the small car market. As the Indian government was encouraging foreign investment, MNC’s having a big name in car manufacturing entered the Indian market. KV Motors further expanded its service network and quality creating an entry barrier for the competitors. It depicted its strengths through various brand-building activities. As a result, the market share of KV Motors is refusing to go down in spite of all major automakers as its competitors.

(a) Identify the economic reforms highlighted in the above case.
(b) Quoting the lines, explain any two points of importance of Business Environment being highlighted in the above case.  

Ans. 

(a) Identify the economic reforms highlighted in the above case are:
   (i) Income of people
   (ii) Rising price (Price Inflation)
   (iii) FDI

(b) The importance of business environment highlighted in the above case are:
   (i) Identification of Opportunities: Opportunities refer to the positive external trends or changes that will help a firm to improve its performance. Environment provides numerous opportunities for business success. Early identification of opportunities helps an enterprise to be the first to exploit them instead of losing them to competitors. (Line KV Motors Ltd. recognized the need for small cars in India)
   (ii) Improve Performance: Business environment relates to whether or not it really makes a difference in the performance of an enterprise. (Line: KV Motors further expanded ............... strengths through various brand-building activities)

Q. 15 Differentiate between Money Market and Capital Market on the following basis: 

(a) Expected return  
(c) Liquidity  
(b) Safety  
(d) Instruments

Ans. 

The difference between Money Market and Capital Market

<table>
<thead>
<tr>
<th>Basis</th>
<th>Money Market</th>
<th>Capital Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Expected Return</td>
<td>Yield lower return for investor, as securities are held for shorter duration.</td>
<td>Yield higher return for investor, as securities are held for longer duration.</td>
</tr>
<tr>
<td>2. Safety</td>
<td>Money market instrument are safe due to shorter duration of investment</td>
<td>Capital market instrument are riskier with respect to principal and return.</td>
</tr>
<tr>
<td>3. Liquidity</td>
<td>Money market instruments enjoy higher degree of liquidity.</td>
<td>Money market instruments are considered liquid as they are traded in stock exchange.</td>
</tr>
<tr>
<td>4. Instruments</td>
<td>Money Market instrument are Treasury Bill, Call Money, Commercial Paper etc</td>
<td>Capital Market instrument are Equity Shares, Preference Shares, Debentures etc</td>
</tr>
</tbody>
</table>

OR

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Differentiate between Primary Market and Secondary Market on the following basis:
(a) Company involvement (b) Price determination
(c) Location (d) Capital formation

Ans. The difference between Primary Market and Secondary Market

<table>
<thead>
<tr>
<th>Basis of</th>
<th>Primary Market</th>
<th>Secondary Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Company</td>
<td>Company sells securities to investors directly or through intermediary</td>
<td>The company is not involved, the ownership is exchanged by investors.</td>
</tr>
<tr>
<td>2. Price Determination</td>
<td>Price is determined by the management</td>
<td>Price is determined by the demand and supply of the securities</td>
</tr>
<tr>
<td>3. Location</td>
<td>Location is not fixed to any geographical boundaries.</td>
<td>Location is at specified place.</td>
</tr>
<tr>
<td>4. Capital Formation</td>
<td>Flow of funds is from saver to investor</td>
<td>Capital formation is not directly, it is promoted by enhancing the liquidity of securities.</td>
</tr>
</tbody>
</table>

Q. 16 Mudit Gupta set up ‘Healthy Biscuits’, a company manufacturing various kinds of biscuits like oat biscuits, ragi biscuits and wholewheat biscuits. He knew that a customer would only pick up a small quantity of the product, so he did not want to invest in starting his own retail outlets. He planned to market the product at the ‘In and Out’ stores at various petrol pumps in the city through the other biscuit manufacturers were using other channels of distribution.

(a) Give the meaning of ‘Channel of Distribution’.
(b) Name the factors that affected the determination of choice of channels and state how they will affect the choice of channel of distribution in the above case. (4)

Ans. (a) Channels of Distribution are set of firms and individuals that take title, or assist in transferring title, to particular goods or services as it moves from the producers to the consumers. In other words, channel refers to a team of merchants, agents, and business institutions that combine physical movement and title movement of products to reach specific destinations.

Factors Affecting are
a) **Product Related Factors**: The important product related considerations in deciding the channels include whether the product is an industrial or a consumer product, whether it is a perishable or a non-perishable product, what is the unit value of the product and the degree of complexity of the product. Industrial products are usually technical, made to order and expensive products purchased by few buyers. These products require short channels i.e., direct channel or involving few middlemen.

b) **Market Factors**: Important market factors affecting the choice of channel of distribution include size of market, geographical concentration of potential buyers and quantity purchased. In case the number of buyers is small, like for most industrial products, short channels are used. But if the number of buyers is large, as in case of most convenience products like soft drink, toothpaste etc., longer channels involving large number of intermediaries are used.
c) **Company Characteristics**: The important company characteristics affecting the choice of channels of distribution include the financial strength of the company and the degree of control it wants to hold on other channel members. Direct selling involves a lot of funds to be invested in fixed assets say for starting own retail outlets or engaging a large number of sales force. Indirect selling through intermediary does not involve deployment of huge funds on these aspects. Thus, if the firm has plenty of funds it may go for direct distribution. If spare funds are not available, it may go for indirect channels.

Q. 17 Explain any four points of importance of consumer protection from the business point of view. 

**Ans.**

Importance of Consumer protection from the point of view of business: (Any Four)

(i) **Long-term interests of business** - Enlightened businesses realise that it is in their long-term interest to satisfy their customers. Satisfied customers not only lead to repeat sales but also provide good feedback to prospective customers and thus, help in increasing the customer-base of business.

(ii) **Business uses society’s resources** - Business organisations use resources which belong to the society. They, thus, have a responsibility to supply such products and render such services which are in public interest and would not impair public confidence in them.

(iii) **Social Responsibility** - A business has social responsibilities towards various interest groups. Business organisations make money by selling goods and providing services to consumers. Thus, consumers form an important group among the many stakeholders.

(iv) **Moral Justification** - It is the moral duty of any business to take care of consumer’s interest and avoid any form of their exploitation. Thus, a business must avoid unscrupulous, exploitative and unfair trade practices like defective and unsafe products, adulteration, false and misleading advertising, hoarding, black marketing etc.

(v) **Government intervention** - A business engaging in any form of exploitative trade practices would invite government intervention or action. This can impair and tarnish the image of the company. Thus, it is advisable that business organisations voluntarily resort to such practices where the customers’ needs and interests will well be taken care of.

OR

Describe the following rights of a consumer as per Consumer Protection Act 1986:

(a) **Right to be Heard**

(b) **Right to Safety**

**Ans.**

(a) **Right to be Heard**: This refers to the right to be heard in case a customer feels exploited in any manner. Every customer has the right to file a complaint and to be heard by the Redressal Forums that are provided for by the Consumer Protection Act, 1986.

(b) **Right to Safety**: Certain goods like electrical goods and pressure cookers can cause serious injury if there is any manufacturing defect. There is also a risk to life, consumer have
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the right to be protected against any such danger.

Q. 18 Vandana Public School had a vacancy of a Maths teacher. They were looking for a smart and creative teacher having a drive for excellence. An advertisement was given in all leading dailies. Since the response was huge, the school examined all the application forms and rejected the candidates who did not have the necessary qualifications. Thereafter, a test was conducted to measure the existing skills of the candidates. After that it was followed by a formal in-depth conversation with the Principal of the school and panel of Maths experts.
(a) Explain the steps that have been performed by Vandana Public School in the process of identifying and choosing the best candidate.
(b) Give the name and also the meaning of the test which was conducted by the school.

Ans. (a) The following are the steps performed by Vandana Public School on process of identifying and choosing the best candidate.

**Step 1: Preliminary Screening**
Preliminary screening helps the manager to eliminate unqualified or uplift job seekers based on the information supplied in the application form.

**Step 2: Selection or Employment Test**
Selection test measures aptitude, intelligence, personality etc of an individual who have applied for the vacancy. Following test conducted are
(a) Intelligence Test
(b) Aptitude Test
(c) Personality Test

**Step 3: Employment Interview**
The candidate who pass the employment test are called for interview, interview is a formal, Face-to-face conversation between the interviewers and the candidate.
Purpose of interview are
(i) Candidate job suitability,
(ii) Cross-Check information supplied by individual in previous stages.

(b) The test conducted by the School was **Trade Test**.

**Trade Test**: This test measures the existing skills of individuals. They measure the level of knowledge and proficiency in the area of profession or technical training.

Q. 19 Financial market is a market for creation and exchange of financial assets. It helps to link the savers with the investors and directs available funds into their most productive investments opportunity. It also facilitates easy purchase and sale of financial assets through the stock exchange. The stock exchange not only facilitates buying and selling of existing securities but also educates public about how their investments in the financial market can yield good returns.
(a) State two functions performed by financial market in the above case.
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(b) Explain two more functions of the stock exchange, other than those stated in the above case. (4)

Ans. (a) The following functions of financial market highlighted in the above case.

(i) Mobilising the saving and channelizing them into most productive uses: A financial market facilitates the transfer of savings from savers to investor. It gives the choice of different investment and thus help to channelize surplus funds into most productive use.

(ii) Providing liquidity to financial assets: Financial market facilitates easy purchase and sale of financial assets. In doing so they provide liquidity to financial assets, so that they can be easily converted into cash whenever required. Holder of these assets can readily sell their financial assets through mechanism of financial market.

(b) Following are the other two functions of stock exchange:

(i) Safety of Transaction: The membership of stock exchange is regulated and its dealing are well defined according to the existing legal framework. This ensure that the investing public get a safe and fair deal.

(ii) Contribution to Economic Growth: A stock exchange is a market in which existing securities are resold or traded. Through this process of disinvestment and reinvestment saving get channelized into their most productive investment avenues.

Section D

Q. 20 Since childhood Niru and Janak has been watching their grandmother procuring wheat from the market, washing it well, drying it and getting it converted into atta. They conducted a survey to collect data to identify where there is demand for readymade atta and realized that with the growing number of working women, it is the need of the hour to manufacture high quality atta. They named their product ‘Srijan’ and set up ‘Srijan Atta Factory’ at Jaunpur Village. To penetrate in the market, they decided to keep the price low. For maintain smooth flow of their product into the market and avoiding delays in delivery, it was decide to store wheat at SKM Services which had scientific processes and logistics facilitating quick delivery. They also set up an online complaint portal to take care of consumer grievances. By quoting the lines from the above paragraph, state five marketing functions undertaken by Niru and Janak for successful marketing of ‘Srijan’ atta. (5)

Ans. Following are functions of marketing undertaken by Niru and Janak

(i) Gathering and analysing market information: This is important for making an analysis of the available opportunities and threat as well as strength and weakness of the organization and helping in deciding what opportunities can be best pursued by it. (Line: They conducted a survey to collect data................. manufacture high quality atta.)

(ii) Branding: A very important decision area for marketing of most consumer products is whether to sell product in its generic name or with brand name. Branding helps in creating product differentiation. Branding is a process of giving a name or sign or a symbol to a product. (Line: They named their product ‘Srijan’)
Q. 21 Explain any five characteristics of co-ordination.  

Ans. The Characteristics of co-ordination are: (Any Five)

(i) Integrates group efforts - Coordination unifies unrelated or diverse interests into purposeful work activity. It gives a common focus to group effort to ensure that performance is as it was planned and scheduled.

(ii) Ensures unity of action - The purpose of coordination is to secure unity of action in the realisation of a common purpose. It acts as the binding force between departments and ensures that all action is aimed at achieving the goals of the organisation.

(iii) Continuous process - Coordination is not a one-time function but a continuous process. It begins at the planning stage and continues till controlling.

(iv) Pervasive function - Coordination is required at all levels of management due to the interdependent nature of activities of various departments. It integrates the efforts of different departments and different levels.

(v) Responsibility of all managers - Coordination is the function of every manager in the organisation. Top level managers need to coordinate with their subordinates to ensure that the overall policies for the organisation are duly carried out. Middle level management coordinates with both the top level and first line managers.

(vi) Deliberate function - A manager has to coordinate the efforts of different people in a conscious and deliberate manner. Even where members of a department willingly cooperate and work, coordination gives a direction to that willing spirit. Cooperation in the absence of coordination may lead to wasted effort and coordination without cooperation may lead to dissatisfaction among employees.

OR

Explain any five points of importance of management.  

Ans. The importances of management are:

(a) Helps in achieving group goals - Management is required not for itself but for achieving the goals of the organisation. The task of a manager is to give a common direction to the
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individual effort in achieving the overall goal of the organisation  

(b) Increases efficiency - The aim of a manager is to reduce costs and increase productivity through better planning, organising, directing, staffing and controlling the activities of the organisation. 

(c) Creates a dynamic organisation - All organisations have to function in an environment which is constantly changing. It is generally seen that individuals in an organisation resist change as it often means moving from a familiar, secure environment into a newer and more challenging one.  

(d) Helps in achieving personal objectives - A manager motivates and leads his team in such a manner that individual members are able to achieve personal goals while contributing to the overall organisational objective. Through motivation and leadership the management helps individuals to develop team spirit, cooperation and commitment to group success.  

(e) Helps in the development of society - An organisation has multiple objectives to serve the purpose of the different groups that constitute it. In the process of fulfilling all these, management helps in the development of the organisation and through that it helps in the development of society. 

Q. 22 ‘Newrange’ is a chain of departmental stores in India with 56 outlets. It sells the best products at the lowest price. The Human Resource department take care to select, train, motivate and retain the employees. Currently, it has 170 full time employees and 30 part time employees. For top-level management, employees are recruited through private consultants. These professional recruiters can entice the need top executives from other companies by making the right offers. Employees appointed at the entry level are recruited through walk-in. For that, a notice is placed on the notice board specifying the details of the jobs available. ‘Newrange’ also encourages present employees or their friends and relatives to refer candidates. They also visit some of the reputed educational institutions to hire some of the most talented and promising students as its employees. ‘Newrange’ shifts workforce from surplus departments to those where there is shortage of staff instead of lying them off. Explain the various internal and external sources of recruitment used by ‘Newrange’ to recruit its employees. (5) 

Ans. The following are external and internal sources of recruitment used by the new range to recruit employee.  

Internal Source:  

(i) **Transfer:** It involves shifting of an employee from one job to another, one department to another or from one shift to another, without a substantive change in the responsibilities and status of the employee. It may lead to changes in duties and responsibilities, working condition etc., but not necessarily salary. Transfer is a good source of filling the vacancies with employees from over-staffed departments. Shortage of suitable personnel in one branch may be filled through transfer from other branch or department.  

(ii) **Promotion:** Business enterprises generally follow the practice of filling higher jobs by promoting employees from lower jobs. Promotion leads to shifting an employee to a
higher position, carrying higher responsibilities, facilities, status and pay. Promotion is a vertical shifting of employees. This practice helps to improve the motivation, loyalty and satisfaction level of employees. It has a great psychological impact over the employees because a promotion at the higher level may lead to a chain of promotions at lower levels in the organisation.

External Source:

(i) **Direct Recruitment**: Under the direct recruitment, a notice is placed on the notice-board of the enterprise specifying the details of the jobs available. Job seekers assemble outside the premises of the organisation on the specified date and selection is done on the spot.

(ii) **Recommendations of Employees**: Applicants introduced by present employees, or their friends and relatives may prove to be a good source of recruitment. Such applicants are likely to be good employees because their background is sufficiently known. A type of preliminary screening takes place because the present employees know both the company and the candidates and they would try to satisfy both.

(iii) **Campus Recruitment**: Colleges and institutes of management and technology have become a popular source of recruitment for technical, professional and managerial jobs. Many big organisations maintain a close liaison with the universities, vocational schools and management institutes to recruit qualified personnel for various jobs.

**Section E**

**Q.23** Differentiate between ‘Functional Structure’ and ‘Divisional Structure’ on any six bases.

**Ans.** The difference between functional structure and divisional structure are:

<table>
<thead>
<tr>
<th>Basis</th>
<th>Functional Structure</th>
<th>Divisional Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Formation</td>
<td>It’s formation is based on functions</td>
<td>It’s formation is based on product and supported by functions.</td>
</tr>
<tr>
<td>2. Specialization</td>
<td>Functional Specialization</td>
<td>Product Specialization</td>
</tr>
<tr>
<td>3. Cost</td>
<td>Economical</td>
<td>Expensive</td>
</tr>
<tr>
<td>4. Coordination</td>
<td>Difficult in coordination if organization is producing many product</td>
<td>Coordination is easy as a function related to a particular product is integrated in one division.</td>
</tr>
<tr>
<td>5. Fixing Responsibility</td>
<td>Difficult in fixing responsibility on a particular department</td>
<td>Easy to fix responsibility on particular department</td>
</tr>
</tbody>
</table>

**OR**

Explain any four points of importance of planning function of management. **(6)**

Ans. The importances of planning functions of management are:

(i) Planning Produces Direction:
   (a) By stating advance the work to be performed planning provides direction of action.
   (b) Planning ensures that the goals of the organization are clearly stated so that they act as a guide for deciding course of action.

(ii) Planning Reduces the Risk of Uncertainty:
   (a) Planning enables the manager to look ahead and anticipate changes.
   (b) By deciding in advance the work to be performed planning shows the way to deal with changes and uncertain events.

(iii) Planning Promotes Innovative Ideas:
   (a) Since, planning is the first function of management, new ideas can take the shape to concrete plans.
   (b) It is the most challenging activity for the management as it guides all future actions.

(iv) Planning Establishes Standards for Controlling:
   (a) Planning involves setting of goals.
   (b) These goals are the standards against which actual performance would be compared to find deviations (controlling).
   (c) Planning is prerequisite for controlling.
   (d) If there were no goals and standards than finding deviations which are part of controlling would not be possible.

Q. 24 Three friends, Rajat, Raman and Ansh, after completing their MBA from a reputed business school at Mumbai, were discussing about the type of organization they would like to join. Rajat was very clear that he would like to take up a government job as it gives stability about the future income and work which will help him to work with greater zeal. It will also provide him pension when he will retire from his service. Raman wanted to work in an company, which has appropriate skill development plans for its employees and helps the employees to grow to higher levels in the organization. In addition to this, the company should also provide facilitates like housing, medical aid, etc. Ansh said that he would prefer to work in an organization, which has the cultural of individual economy, is considerate to employees and provides the employees with opportunity for personal growth and a meaningful work experience.

(a) Identify the various financial and non-financial incentives discussed by the three friends in the above conversation.

(b) Explain three other non-financial incentives which were not discussed by any one of them.

Ans. (a) Following financial incentives discussed by the three friends:
   (i) Rajat: Retirement benefits
   (ii) Raman: Perquisites

Following non-financial incentives discussed by the three friends:
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Max. Marks: 80 Marks

(i) Rajat: Job security  
(ii) Raman: Career advancement opportunity

a. Ansh: Organisational climate (individual authority) & Job enrichment

(b) Following are the other non-financial incentives:

Status: In the organizational content, status means ranking of positions in the organization. The authority, responsibility, perquisites and prestige of job indicate status given to a person holding a managerial position.

Employee Participation:
(a) It means involving employees in decision making of the issues related to them.
(b) In many companies, these programmes are in practice in the form of joint management committees, canteen committees, etc.

Employee Empowerment:
(a) Empowerment means giving more powers and autonomy to subordinates.
(b) Empowerment makes people feel that their jobs are important.
(c) This feeling contributes positively to the use of skills and talents in the job performance.

Q. 25 Vishesh completed his MBA at a reputed business school in Lucknow. He was impressed by the Principles and Techniques of Scientific Management developed by F.W. Taylor. On completing his MBA, he wanted to apply Scientific Management in his family’s business of fast food chain of restaurants named ‘Burger Mania’. His main goal was to reduce costs with increased output. To begin with, he wanted to develop a standard method which would be followed throughout the organization. So, he investigated traditional methods through work study and unified the best practices. The standard method, i.e. the best way of doing the job was then developed taking into account all parameters right from the procurement of raw materials till the delivery of the final product to the consumer. Vishesh also believed that each person should not only be scientifically selected but should also be given the required training to increase efficiency. For this, he set up a Special Training Unit called ‘Hamburger’ in Bengaluru where the workers were given the required training to learn the best method. At the factory, the ingredients making up a burger were strategically placed to reduce the time taken for excess movements. The standard time and other parameters were determined on the basis of work study and Vishesh rewarded the workers for meeting the standard output. Now, ‘Burger Mania’ has standardised process, raw material, time, machinery, product and working conditions that ensure that the food they send out to their customers has the same high standards of excellence and level of quality in every chain of franchise. The application of Scientific Management to every aspect of restaurant operations led to ‘Burger Mania’s’ widespread success. Quoting the lines from the above, explain the Principles and Techniques of ‘Scientific Management’ used by ‘Burger Mania’.

Ans. Following principles and techniques of scientific management were used by ‘Burger Mania’:
(a) Method Study: The objective of method study is to find out the best way of doing the job. (Line: The standard method i.e. the best …………… to the consumer).
Science not Rule of Thumb: Taylor believed that there was only one best method to maximise efficiency. This method can be developed through study and analysis. (Line: To begin with he wanted ........................ unified the best practices).

Development of each and every person to his or her greatest efficiency and prosperity. (Line: Vishesh also believed .............................. increase efficiency). Industrial efficiency depends upon the efficiency of workers. Workers efficiency depends upon proper training and their selection.

Standardisation: Standardisation refers to the process of setting standards for every business activity, it can be standardization of process, raw material, time, product, machinery or working conditions. (Line: Now, Burger Mania ..........in every chain or franchise).

Motion Study: It refers to the study of movements like lifting, putting objects, sitting and changing positions etc which are undertaken while doing typical job. (Line: At the factory, .............placed to reduce the time taken for excess movements)

Time Study: It determines the standard time taken to perform a well defined job. (Line: The standard time .................for meeting the standard output)