

**SECOND YEAR HIGHER SECONDARY MODEL  
EXAMINATION , MARCH 2022  
BUSINESS STUDIES**

Code: ME 548

**ANSWER KEY (UNOFFICIAL)**

**PART I**

**A(1 to 6) ,Answer any 4 question. Carries 1 score each**

- 1.Production Manager
- 2.External
- 3.Staffing
- 4.Budget
- 5.Capital Structure
- 6.Social

**B(7 to 10) ,Answer all .Each carries 1 score each**

- 7.Planning
- 8.Training
- 9.Controlling
- 10.Scientific Management

**PART II**

**A (11 to 15) ,Answer any 3 question. Each carries 2 score each**

11.

Social Objective	Quality goods /Providing employment etc (Any one) 1 mark
Personal Objective	Fair remuneration /training, development etc (Any one) 1 mark

12.Commercial Paper, Certificate of Deposit , Call money loan ( Any two examples)

13.Right to Safety, Right to be Informed, Right to Choose, Right to be heard (Any 4 rights)

14. a)Authority

b)Responsibility

15. Any 2 difference between Capital Market & Money Market

Money Market	Capital Market
Arrange short term fund	Provide medium term and long term funds
Much safer.	Risky

**B Answer any 2 from 16 to 18, carries 2 score each**

16. (Any 2 examples each)

Financial Incentives	Non-Financial Incentives
Pay and allowances Perquisites Retirement benefits etc-	Job Enrichment Employee recognition programme Employee's empowerment etc

17. Benefits of Training and Development to the organization

- a. Training is a systematic learning
- b. It enhances employee productivity
- c. Training equips the future manager who can take over in case of emergency
- d. Training increases employee morale and reduces absenteeism and employee turnover

18. Impact of Government policy changes on Business and Industry

- a). Increasing competition: competition for Indian firms has increased especially in service industries like telecommunications, airlines, banking, insurance etc.
- b) More demanding customers: customers today have become more demanding because they are well informed.

### **PART III**

**A: Answer any 3 from 19 to 23. Each carries 4 score**

19. Steps in the Controlling Process:

- a). Setting performance standards: The first step in the controlling process is setting up performance standards.
- b). Measurement of actual performance: Once, performance standards are set, the next step is measurement of actual performance.
- c) Comparing actual performance with standards: This step involves comparison of actual performance with the standards.

d) Analysing deviations: Find out the deviation.

e) Taking corrective action: The final step in the controlling process is taking corrective action.

20.a) Marketing mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market. The variables or elements of marketing mix have been classified into four categories, popularly called the four P's of Marketing mix-Product, Price, Place and Promotion.

b)

Price
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Place
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21.a) Economic environment: It includes all such forces of economic development which influence the product market scope of business. The main components of economic environment are:

- a. The nature of economic system of the country
- b. Structural anatomy of the economy
- c. Organization and development of the capital market
- d. Economic policies

b) Legal environment: Business has to function within the framework of laws and regulations of the country. The main components of legal and regulatory environment are as follows:

- a. Laws concerning business
- b. Judicial system of the country.

22. a). On the job training -1 score  
Off the job training -1 score

b)

On the job methods	Off the job methods
Coaching Job rotation	Films Case study (1/2 each)

23.

Act of overseeing something	Supervision
Act of stimulating people	Motivation

Act of sharing information	Communication
Ability to influence people	Leadership

**B: Answer any 1 from 24 to 25. Each carries 4 score**

**24. Effectiveness:**

Effectiveness means accomplishment of goals. A manager is said to be effective if he is able to accomplish given task on time. For Example a company's targeted production is 1000 units per year. The manager is able to produce 1000 units but higher production cost (more labour cost, material cost etc). In this case manager is effective but not efficient.

**Efficiency:**

Efficiency means accomplishment of goals at minimum possible cost through optimum utilization of resources. It is concerned with cutting down the cost. If the manager produces goods at lower cost but not achieves the target, the manager is efficient but not effective.

**25. Limitations of Planning:**

- a) Costly process: Planning is an expensive process
- b) Time consuming: Considerable time is required for collection, analysis and interpretation of information for planning.
- c) Planning does not guarantee success: The success of an enterprise is possible only when plans are properly drawn up and implemented.
- d) Planning reduces creativity: Mainly planning is done by top management. Thus much of the creativity inherent in middle and lower level management get reduced.

**PART IV:**

**A. Answer any 3 question from 26 to 29. 6 marks each**

**26.1. Top Level Management:**

Top management consists of managers at the highest level in the management hierarchy . This level includes the Board of Directors, the chairman and the chief executives. Top level management is held responsible for the overall success or failure of the organization. They establish overall long-term objectives of the organization.

**2. Middle Management:**

This level consists of heads of departments and functional managers Eg. Marketing manager, production manager, finance manager, personnel manager

and so on. Middle level managers serve as the link between top management and lower level management. They are responsible for the proper functioning of their respective departments. They function within the framework of goals and policies laid down by top management.

### 3.Lower level Management:

It is mainly concerned with supervision and direction of operative employees. It consists of factory superintendents, foremen, office supervisors, section officers, branch managers, accounts officers etc. They are directly in touch with workers. They are responsible for the quantity and quality of work and timely completion of jobs.

27. a) Formal Organisation – 1 mark

Informal Organisation – 1 mark

b) 4 Difference between Formal organization and Informal organization

<b>Basis</b>	<b>Formal organization</b>	<b>Informal organization</b>
Formation	Deliberately	Spontaneously
Purpose	To achieve organizational goals	To satisfy social and cultural needs.
Structure	Based on authority and responsibility	Based of emotions and sentiments
Communication	Through official channel	Based in convenience

28.Qualities of a Good Leader:(Any 6 quality)

#### 1.Physical features:

Physical features like height, weight, health, appearance etc. Good health helps a leader to work hard which inspires others to work with same spirit.

#### 2.Knowledge:

A good leader should have required knowledge and competence. Only such person can instruct subordinates correctly and influence them.

#### 3.Integrity:

A leader should possess high level of integrity and honesty. He should be a role model to others regarding the ethics and values.

#### 4.Initiative:

A leader should have courage and initiative, so that he can grab the opportunities for the benefit of the organization.

### 5. Communication skills:

A leader should be able to communicate his ideas with his followers. Goals and procedures of the organization should be communicated clearly & precisely

### 6. Motivation skills:

A leader should be an effective motivator. He should understand the needs of the people and motivate them through satisfying their needs.

### 29. Financial Decisions / Finance Function:

Three important decision areas of a finance manager is known as finance function. They are -

#### 1. Investment decision:

Investment decisions are decision related to the selection of assets in which funds will be invested by a firm. The investment decision relates to how the firm's funds are invested in different assets. Generally two types of investment decisions are to be taken by Finance Manager. They are decision relating to long term investment and short term investment.

#### 2. Financing Decision:

The main sources of funds for a firm are shareholders' funds and borrowed funds. Owned funds consist of equity share capital, preference share capital and retained earnings. Borrowed funds include debentures. Thus financing decision is concerned with designing the capital structure ie, a combination of different sources of finance.

#### 3. Dividend decision:

Dividend is that portion of profit which is distributed to shareholders. A company has to decide how much profit to distribute as dividend and how much to retain for investment in the business. Dividend decision relates to the appropriation of earned profits.

### **B .Answer any 2 question from 30 to 32. 6 marks each**

#### **30. Nature of principles of management:(ANY 3 NATURE)**

##### 1. Universal applicability:

Management principles are applicable to any type of organisations like business organizations, police force, sports clubs in any part of the world.

##### 2. General Guidelines:

The principles are guidelines to action. Management principles are derived from experience and analysis and they are in the form of mere statements.

### 3. Formed by practice and experimentation:

The principles of management are formed by experience and collective wisdom of managers as well as experimentation.

### **31. Importance of Communication:**

#### 1. A basis for coordination :

Coordination among different departments in the organization is possible only through proper communication.

#### 2. Smooth working of the enterprise :

When there is a communication gap, all organized activities come to a standstill.

#### 3. Basis for decision making:

Communication provides the required data for decision making. Also the management decisions are conveyed to subordinates for execution through communication.

#### 4. Increases managerial efficiency :

Conveying the goals, issuing instructions, allocating jobs, evaluating performance etc are done through communication, which will improve the efficiency of management.

32.

1. Convenience products: They are the consumer products that people usually purchase frequently, and with least purchasing efforts. E.g., soap, toothpaste, bread, magazines, biscuits etc.

2. Shopping products: These are the products purchased by the consumers by spending considerable time in comparison of features like price, quality, size, style etc. e.g., home appliances, clothes, jewellery, furniture, TV, Computer, Washing machine etc.

3. Speciality Products: These products have unique characteristics. E.g., paintings, artwork, antiques

### **PART V:**

**Answer any 2 questions from 33 to 35. Each carries 8 score**

33.

#### 1. Unity of Command:

This principle states that each employee should receive orders from one superior only. Dual subordination should be avoided. This is to prevent confusion regarding tasks to be done. In the absence of unity of command,

responsibility cannot be fixed, duplication of work , overlapping orders and instruction may happen.

### 2.Unity of Direction:

This principle states that for a group activities having the same objective, there should be one head and one plan. There are different departments in an organization for different activities,Each group of activities having the same objective must have one head and one plan. This principle helps in establishing co-ordination & unity of action.

### 3.Scalar chain:

Scalar chain refers to ‘the chain of superiors ranking from the ultimate authority to the lowest level in an organisation. Scalar chain is the formal line of authority (Chain of command) which moves from highest to lowest rank. The chain specifies the route through which the information is to be communicated to the desired person. Fayol insists that this chain must be strictly followed in the organization.

### 4.Order:

This principle is based on the general saying, “Have a place for everything and keep everything in its place”. All materials are to be kept in proper place (Material Order) and the right man is to be assigned the right job (Social Order).

## 34.PLANNING PROCESS (STEPS IN PLANNING)

### 1.Setting Objectives:

The first and foremost step is setting objectives. Objectives are the end-results which manager’s wish to achieve. It must be specific and clear. The objective of the entire organization is laid down first, and then it is broken down into departments and individuals. They give direction to all departments. If the end result is clear it becomes easier to work towards the goal.

### 2.Developing planning premises:

Planning premises refer to assumptions about likely shape of events in the future. Premises are the base on which plans are made. It involves anticipation of future demands, competition, technology, economic conditions etc. Planning premises may be internal or external. It also can be controllable and non-controllable.

### 3.Identifying alternative courses of action:

Once objectives are set and assumptions are made, then the next step is to identify all possible alternative courses of action to achieve the objectives. For



example, to increase sales, different ways are there, like advertisement, reducing prices, improve quality etc.

#### 4. Evaluating alternative courses of action:

Evaluation of alternatives is the process of examining the benefits and defects of various alternatives . Generally the alternatives are analysed on the basis of costs, risks , benefits, after effects etc.

#### 5. Selecting the best alternative:

After studying the advantages and limitations of all the alternatives the most suitable one is selected. In fact planning is the process of finding out this best alternative.

#### 6. Implementing the plan:

Implementing the plan means putting the plan into action so as to achieve the objective of the business. i.e. doing what is required.

#### 7. Follow-up action:

Plans are to be evaluated regularly to check whether they are proceeding in right way. This will help in detecting shortcoming and taking remedial measures well in advance.

#### 35. Any four External Sources

##### a) Advertisement:

Advertising in newspapers and journals is a common method of encouraging people to apply for jobs.

##### b) Employment Exchange:

Employment Exchanges run by the government are an important sources of recruitment of personnel. Job seekers get themselves registered with these exchanges . The name of these persons will be supplied to business concerns on the basis of their requisition.

##### c) Placement Agencies and Personnel Consultants:

Placement Agencies compile bio-data of a large number of candidates and recommend suitable names to their clients.

Management consultancy firms help the organisations to recruit technical, professional and managerial personnel.

##### d) Campus Recruitment:

Recruitment from educational institutions is a well-established practice of businesses. This is referred to as campus recruitment.

