



INDIAN SCHOOL SOHAR
SECOND TERM EXAM
BUSINESS STUDIES [054]

Date: - 19.11.2017

STD: - XII

Marks: - 80

Time: - 3hrs

General Instructions:-

- (i) Answers to questions carrying 1 mark may be from one word to one sentence.
- (ii) Answers to questions carrying 3 marks may be from 50 – 75 words.
- (iii) Answers to questions carrying 4 – 5 marks may be about 150 words.
- (iv) Answers to questions carrying 6 marks may be about 200 words.

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1. In your school, you have observed that books are kept in office, chalks in the library and office records in the staffroom. Which principle of management is violated here? How will this affect the achievement of school objective? 1
 2. What is meant by a 'Standing-Plan'? 1
 3. How does 'level of competition' affect the working capital requirement of an organisation? State. 1
 4. Avik is the finance manager of Mars Ltd. In the current year, the company earned high profit. However, Avik thinks that it is better to declare smaller dividend as he is unsure about the earning potential of the company in the coming years. Avik's choice of dividend decision is based on which of the factor that affect it? 1
 5. On the introduction of 'Goods and Services Tax Act', experts in the field of business started analysing and forecasting its impact on various sectors and industries. Arun, an established businessman, attended a few seminars and conferences organised by such experts to familiarize himself with this information. He wanted to use these forecast and conjectures to reduce the uncertainty in making decisions for the future in his business. Name the step in the planning process that is being discussed in the above paragraph. 1
 6. Ajanta Foods Ltd. is engaged in the trading of 'Noodles'. It has its registered office in Kolkata, manufacturing unit in Solan and marketing department at Delhi. Which type of organisational structure should the company adopt to achieve its target? 1
 7. Kritika is posted at lower level of management at 'Libra Cosmetics Pvt. Ltd.' The daily sale of the company is about ₹50 lakhs. The company has given her the responsibility that the production work of the company should continue uninterrupted. The Managing Director has asked her to focus her attention especially on the speed and quality of production. She is doing her job efficiently. Her reputation is that of a successful leader. She takes every decision after discussing it with all the concerned persons. Her subordinates are very happy with her. Identify the leadership style adopted by Kritika. 1

8. Himanshu purchased a new car from 'Galaxy Motors' for ₹25 lakhs. He was offered free insurance for the first year and three free servicing to be availed after the car had covered 5,000 km, 10,000 km and 15,000 km respectively. When Himanshu took the car for the first free servicing, he was told that the car was not new and first service had already been availed on this car. He felt cheated and filed a complaint in the State Commission. Being not satisfied with the decision of the State Commission, after two months he decided to file an appeal against it. 1
- Can Himanshu appeal against the decision of the State Commission? Give reason.
9. Suzan was a regional Manager in 'Homely Products Ltd.' for the last eight years. On the retirement of the Marketing Manager, Suzan applied for the same post because she was extremely ambitious and had dedicated all her energies to obtain the post of Marketing Manager. However, the top management decided to fill the position by selecting a better person from outside the company. Because of this Suzan was heartbroken and her performance declined. When the new Marketing Manager joined, one of his major problems was how to motivate and inspire Suzan to her former level of performance. 3
- Suggest any three non-financial benefits that the new marketing manager may use to motivate Suzan
10. Miracle Ltd. deals in the sale of stationery and office furniture. They source the finished products from reputed brands who give them four to six months credit. Because of increase in the demand for electronic items, they are planning to sell these items also. For this, they have decided to join hands with a Japanese electronic goods manufacturer, to open sales outlets throughout India. 3
- State any three factors affecting working capital requirement of Miracle Ltd. other than the factors discussed above.
11. What is meant by financial planning? State its objectives. 3
12. Hema is one of the most successful managers of her company, 'Kobe Ltd'. She uses her creativity and initiative in handling challenging situations at work. The knowledge gained by her during her student days at a renowned management institute as well as through her observation and experience over the years is applied by Hema in a skilful manner in the context of the realities of a given situation. She often reads books and other literature in various fields of management to keep her knowledge updated. 3
- A. Identify the aspect of the nature of management highlighted in the above description.
- B. Explain any three features of the aspect identified in part A.
13. Mission Coach Ltd.' is a large and creditworthy company manufacturing coaches for Indian Railways. It now wants to export these coaches to other countries and decides to invest in new hi- 3

tech machines. Since the investment is large, it requires long-term finance. It decides to raise funds by issuing equity shares. The issue of equity shares involves huge floatation cost. To meet the expenses of floatation cost, the company decides to tap the money market.

A. Name and explain the money-market instrument the company can use for the above purpose.

B. What is the duration for which the company can get funds through this instrument?

C. State any other purpose for which this instrument can be used.

14. Mr. Murthy is the Human Resource Manager of “Jai Hind Hospital” in Vellore. He has to appoint nurses for the hospital. Since patients in the hospital are of different types, he wants to find out the candidates’ maturity and emotions in dealing with the patients. He also wants to know about the candidates’ ability to make decisions. Explain two types of tests that Mr. Murthy can use to meet his requirements. 4
15. ‘Planning is certainly important as it tells us where to go, it provides direction and reduces the risk of uncertainty by preparing forecasts.’ This statement enumerates some of the points highlighting the importance of planning. State any four points of importance of planning not mentioned in the statement. 4
16. Branding adds to cost e.g. to the cost of packaging, labelling, legal protection and promotions. However, it provides several advantages to the sellers as well as the customers. Do you agree? State any four reasons in support of your answer. 4
17. Tel India Ltd. is an IT company having 1,200 employees. All its employees take things easy and are free to approach any one for minor queries and problems. Because of this the operations of the company are disturbed and its revenue has declined. Everyone is seen talking to each other resulting in inefficiency in its offices. It has also resulted in loss of secrecy and confidential information being leaked out. Explain the measures that the manager should adopt to improve communication system of Tel India Ltd. 4
18. Unicom Securities Pvt. Ltd. was established to deal in securities. It was registered as a stock broker with National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) to trade in securities listed at these exchanges. It is also a depository participant with CDSL and NSDL. In the first three years, it developed its business successfully. After that the composition of Board of Directors changed. Some customers complained to the customer care centre of the company that shares purchased by them and for which the payment has been duly made, were not transferred to their Demat Accounts by Unicom securities Pvt. Ltd. The executive of customer care centre promised the aggrieved customers that their shares will be transferred to their respective Demat Accounts very soon. But the company delayed the matter and did not transfer the shares of the customers to their 4

Demat Accounts. This eroded investor's confidence and multiplied their grievances.

A. Identify the step of trading procedure in a stock exchange which has not been followed by Unicom Securities Pvt. Ltd.

B. Name the apex statutory body of capital market to whom customer can complain to redress their grievances.

C. Write two values which are not followed by Unicom Security Pvt. Ltd.

19. 'Chennai Leather Ltd.' is the manufacturer of leather products. It is producing on large scale and its organisational structure is functional. In the production department various foremen have been employed. Each foreman has been made responsible for production planning, implementation and control. This has led to a situation of confusion and uncertainty. 4

Suggest a technique of scientific management to 'Chennai Leather Ltd.' which may help it to effectively organise planning and its execution.

20. "Time Line watch" is a renowned watch manufacturing company. It performs various activities like, market analysis, product designing or merchandising, packaging, warehousing, branding, pricing, promotion and selling. The company maintains good customer relations through various follow up activities. This helps the company in procuring repeat sales orders. 5

A. Name the concept related to the activities mentioned in the above paragraph.

B. Explain any four features of the concept identified in part A.

21. Describe briefly Maslow's need hierarchy theory of motivation? 5

22. "Put simply, decentralization refers to delegation of authority throughout all the levels of the organization." In the light of the above statement give the meaning of and difference between delegation of authority and decentralization 5

23. "A good understanding of environment by business managers enables them not only to identify and evaluate but also to react to the forces external to their firm." In the light of the above statement explain any four points of importance of understanding business environment by a manager. 6

24. Johnny Co. Ltd. is engaged in manufacturing machine components. The target production is 200 units daily. The company has been successfully attaining this target until two months ago. Over the last few months it has been observed that the daily production varies between 150 – 170 units. To find out the reason in the fall in daily production the company compared actual performance of each worker and found that some of the workers are busy gossiping. 6

A. Identify and explain the function of management discussed above.

B. Explain the steps in the process of function of management identified in the above paragraph.

25. "A business that does not grow dies", says Mr. Shah, the owner of Shah Marble Ltd. The company has a capital base of ₹80 crores. Within a short span of time, the company could generate cash flow 6

which not only covered fixed cash payment obligations but also create sufficient buffer. The company is on the growth path and a new breed of consumers is eager to buy the Italian marble sold by Shah Marble Ltd. To meet the increasing demand, Mr. Shah decided to expand his business by acquiring a mine. This required an investment of ₹120 crores. To seek advice in this matter, he called his financial advisor Mr. Seth who advised him about the judicious mix of equity (40%) and Debt (60%). Mr. Seth also suggested him to take loan from a financial institution as the cost of raising funds from financial institutions is low. Though this will increase the financial risk but will also raise the return to equity shareholders. He also apprised him that issue of debt will not dilute the control of equity shareholders. At the same time, the interest on loan is a tax deductible expense for computation of tax liability. After due deliberations with Mr. Seth, Mr. Shah decided to raise funds from a financial institution.

- A. Identify and explain the concept of Financial Management as advised by Mr. Seth in the above situation.
- B. State the four factors affecting the concept as identified in part A above which have been discussed between Mr. Shah and Mr. Seth.
