



CBSE

ADDITIONAL PRACTICE QUESTIONS-Marking Scheme Business Studies (054) Class XII | 2023-24

1. This question paper contains 34 questions.
2. Marks are indicated against each question.
3. Answers should be brief and to the point.
4. Answers to the questions carrying 3 marks may be from 50 to 75 words.
5. Answers to the questions carrying 4 marks may be about 150 words.
6. Answers to the questions carrying 6 marks may be about 200 words.
7. Attempt all parts of the questions together.

Section A

| Q No. | Question | Marks |
|-------|---|-------|
| 1 | (c) Interest Coverage Ratio | 1 |
| 2 | (c) establishing a unique identity | 1 |
| 3 | (c) A traditional brick-and-mortar retailer is forced to close its doors after online retailers offer lower prices and a wider selection of products. | 1 |
| 4 | (b) Selling and Marketing | 1 |
| 5 | (d) issuing right shares for existing shareholders at a discounted price | 1 |
| 6 | (d) Integrates group efforts | 1 |
| 7 | (d) It monitors and regulates the securities market to protect investors and maintain market integrity. | 1 |
| 8 | (a) A budget system that sets targets for sales and profits. | 1 |
| 9 | (d) to build relationships with stakeholders | 1 |



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| 10 | (b) Both (A) and (R) are true but (R) is not the correct explanation of (A) | 1 |
| 11 | (b) Assignment of duties | 1 |
| 12 | (b) Both A and R are true, and R is the correct explanation of A. | 1 |
| 13 | (c) Both the statements are true | 1 |
| 14 | (b) Foreign policy of the government | 1 |
| 15 | (c) Employees' development | 1 |
| 16 | (a) Statement I is true and II is false | 1 |
| 17 | (a) The cost of doing business will increase, leading to higher prices for consumers. | 1 |
| 18 | (c) A (4), B (3), C (2), D(1) | 1 |
| 19 | (c) Professional association | 1 |
| 20 | (d) Rationalisation of tariff structure | 1 |
| 21 | <p>As a top-level executive with diverse leadership roles, Elon Reeve Musk is likely performing the following three essential functions in his position</p> <p>-Founding and leading companies such as SpaceX, Tesla, and The Boring Company: Musk is involved in creating and establishing these companies and takes charge of their overall direction, strategy, and vision.</p> <p>-Assuming the roles of CEO and Product Architect to guide Tesla's operations and innovations: In his role as CEO and Product Architect of Tesla, Musk is responsible for overseeing the company's day-to-day operations, making key decisions, and driving innovation in the development of Tesla's products.</p> <p>-Engaging in engineering and technical aspects to drive the development of SpaceX's projects: As Chief Engineer of SpaceX, Musk actively participates in the engineering and technical aspects of the company's projects, leading the way in developing cutting-edge space exploration technologies and initiatives.</p> <p>Award 1 mark each for 3 functions</p> | 3 |
| 22 | (i) Setting performance standards: The first step in the controlling process is to set the performance standards. Standards are those criteria, on which the actual performances are measured. These standards serve as a benchmark towards which an organisation strives to work. | 3 |



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| | <p>(ii) Measurement of actual performance: After the establishment of standards, the next step is measuring the actual performance with the set standards. This can be done by opting several methods like personal observation, sample checking, performance reports, etc.</p> <p>(iii) Comparison of actual performance with standards: In this step, the actual performances are compared with the established standards. Such comparisons reveal the deviation between planned and actual results.</p> <p>Award 1 mark each to the corrective measures.</p> <p>OR</p> <p>1. Management by Exception:(MBE) is a managerial approach that focuses on identifying and addressing significant deviations or exceptions from standard performance. Instead of monitoring all stores equally, the regional manager prioritizes attention on exceptional cases that deviate significantly from established benchmarks.</p> <p>2. Critical Point Control: It involves closely monitoring specific key performance indicators (KPIs) or KRA's that have a significant impact on overall sales performance. Managers use this technique to identify critical points where immediate action is necessary to prevent potential crises or losses.</p> <p>Award 1.5 mark to each technique.</p> | |
| 23 | <p>1. When organisations hire externally, they bring in new talent with fresh perspectives and diverse skill sets. These individuals often possess different experiences, backgrounds, and knowledge, which can inject creativity and innovation into the company's operations.</p> <p>2. Hiring talent from outside the organisation can provide valuable industry insights and a competitive edge. External recruits may come from rival companies or different sectors, bringing with them knowledge of market trends, best practices, and emerging technologies.</p> <p>3. External recruitment can lead to faster growth and skill development within the organisation. When experienced professionals join a new workplace, they often possess a wide range of expertise that can be quickly shared and disseminated among the existing workforce.</p> <p>Award 1 mark each for External recruitment advantages.</p> | 3 |
| 24 | <p>1. Treasury Bills (T-Bills): Treasury Bills are short-term debt instruments issued by the government to raise funds for a short duration, usually</p> | |



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| | <p>ranging from 91 days to 364 days. They are considered one of the safest investments as they are backed by the government's creditworthiness.</p> <p>2. Commercial Paper (CP): Commercial Paper is an unsecured, short-term debt instrument issued by corporations to meet their short-term funding needs, usually for up to 270 days. CPs are rated by credit rating agencies to assess their creditworthiness. Compared to T-Bills, CPs generally offer higher returns due to the credit risk associated with corporations.</p> <p>3. Certificate of Deposit (CD): Certificate of Deposit is a time deposit offered by banks with fixed maturity dates, ranging from a few weeks to several months. CDs have higher interest rates than regular savings accounts and are insured by the government up to a certain limit.</p> <p>Award 1 mark each for three instruments of the money market.</p> <p style="text-align: center;">OR</p> <p>Step 1: Preliminary Investigation: SEBI should initiate a preliminary investigation based on the information received about the suspected fraudulent activities by the listed company. This involves gathering initial evidence, identifying potential violations, and assessing the gravity of the situation.</p> <p>Step 2: Formal Investigation: Upon finding substantial evidence during the preliminary investigation, SEBI should launch a formal investigation. This involves a deeper examination of the company's activities, including financial records, transactions, and management practices. The investigation may involve summoning company officials, scrutinising books, and seeking expert opinions.</p> <p>Step 3: Inspection of Books and Records: As part of its regulatory function, SEBI has the authority to inspect the books and records of listed companies to ensure compliance with securities laws. This step involves a detailed examination of the company's financial records and transactions.</p> <p>Award 1 mark each for regulatory function of SEBI.</p> | |
| 25 | <p>Step 1: Ensure that the basic physiological needs of employees are met, such as providing a comfortable and safe working environment. Address concerns related to workload, work-life balance, and job security.</p> <p>Step 2: Encourage team-building activities and collaborative projects to fulfill social needs. Organise team lunches, outings, or virtual events to foster a sense of camaraderie among team members.</p> | 3 |



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| | <p>Step 3: Address esteem needs by recognising employees' achievements and contributions. Implement an employee recognition program that acknowledges outstanding performance and milestones.</p> <p>Step 4: Promote self-actualisation by encouraging employees to pursue their passions and interests within their roles.</p> <p>Award 1 mark each of the points given or any other relevant point.</p> <p>OR</p> <p>1. Employee Recognition Program: Introduce an employee recognition program to acknowledge and appreciate outstanding performance and achievements. Employees can be recognized through a "Employee of the Month" program or regular shout-outs in team meetings. Recognition helps boost self-esteem and encourages a sense of belonging within the organization.</p> <p>2. Opportunities for Employee Involvement: Involve employees in decision-making processes, such as project planning or policy development. Providing opportunities for employee involvement fosters a sense of ownership and commitment to the organization's success.</p> <p>3. Autonomy: Empowering employees with a sense of autonomy and involvement in decision-making increases their job satisfaction and commitment to the organization.</p> <p>4. Employee Development and Growth Opportunities: Providing opportunities for skill enhancement and career growth demonstrates the organization's commitment to employee development, encouraging a sense of loyalty and dedication among employees.</p> <p>Award 1 mark each for non-financial incentives</p> | |
| 26 | <p>1. When we invest in training and development, we empower our employees with the skills and knowledge they need to excel in their roles. Well-trained employees are more confident, efficient, and productive.</p> <p>2. Investing in training and development allows us to stay ahead of the competition by adapting to emerging trends, technological advancements, and changing customer needs.</p> <p>3. Employees value organisations that prioritise their growth and development. By investing in training, we show our commitment to their professional advancement, fostering higher levels of employee engagement and job satisfaction.</p> | 4 |



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| | <p>4. A learning culture encourages employees to think creatively, leading to innovation and process improvements. By investing in employee development, we nurture a culture that values continuous learning, enabling us to adapt swiftly to changing market conditions and customer demands.</p> <p>Award 1 mark each for points given or any other relevant point.</p> <p style="text-align: center;">OR</p> <p>1. Preliminary Screening: This is the initial stage of the selection process. Its purpose is to filter out candidates who do not meet the minimum qualifications and requirements for the management position. The screening helps save time and resources by focusing only on eligible candidates.</p> <p>2. Selection Tests: These tests are assessments that evaluate candidates' aptitude, skills, and abilities related to the managerial role. These tests help assess a candidate's cognitive abilities, problem-solving skills, critical thinking, and domain knowledge.</p> <p>3. Employment Interview: It is a crucial step in the selection process. It allows the organization to assess your communication skills, interpersonal qualities, cultural fit, and enthusiasm for the position. It also provides an opportunity to learn more about the company and the role.</p> <p>4. Final Interviews and Decision-making: In the final interviews, the organization aims to narrow down the candidate pool further and make a well-informed decision about the best fit for the management position. This stage often involves interactions with senior management and decision-makers.</p> <p>Award 1 mark each for the selection process steps.</p> | |
| 27 | <p>1. As consumers, it is crucial to make informed decisions before purchasing goods or services. Take the time to research and gather relevant information about the product or service, its features, pricing, and the reputation of the seller or service provider. Being well-informed empowers you to make the right choices and avoid any potential pitfalls.</p> <p>2. Before entering into any consumer transaction, carefully read and understand the terms and conditions. This includes contracts, warranties, and refund policies. By being aware of the terms, you can avoid surprises and potential disputes later on.</p> <p>3. Ensure that the information you provide during a transaction, such as your name, contact details, and payment information, is accurate and truthful. This helps facilitate smooth transactions and prevents any complications that may arise from incorrect information.</p> | 4 |



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| | <p>4. If you come across a product that is defective, unsafe, or does not meet the promised standards, it is essential to report the issue to the seller or manufacturer promptly.</p> <p>5. As a responsible consumer, exercise caution while sharing personal information online, and only transact on secure and reputable websites. Be wary of potential scams and phishing attempts.</p> <p>6. If you encounter any issues or dissatisfaction with a product or service, address the concern with the seller or service provider promptly. Delaying the reporting of grievances may limit your options for redressal.</p> <p>7. Keep a record of receipts, invoices, warranties, or any other documents related to your purchases. These documents serve as evidence in case of disputes or when seeking a refund or replacement.</p> <p>8. Should a dispute arise, cooperate with consumer redressal forums or agencies when seeking resolution. Provide necessary information and attend hearings or proceedings as required.</p> <p>Award 1/2 mark for each responsibility</p> | |
| 28 | <p>To determine which company is using trading on equity more effectively, compare their Return on Equity (ROE) ratios. ROE is a key financial ratio that measures how efficiently a company is using its shareholders' equity to generate profits.</p> <p>ROE is calculated as follows:</p> $\text{ROE} = (\text{Net Income} / \text{Average Shareholders' Equity}) * 100$ <p>Calculate the ROE for both companies:</p> <p>For Alfa Ltd :</p> $\text{ROE} = (50,000 / (300,000 + 0) / 2) * 100$ $\text{ROE} = (50,000 / 300,000) * 100$ $\text{ROE} = 0.1667 * 100$ $\text{ROE} = 16.67\%$ <p>For Beltex Ltd :</p> $\text{ROE} = (60,000 / (400,000 + 0) / 2) * 100$ $\text{ROE} = (60,000 / 400,000) * 100$ $\text{ROE} = 0.15 * 100$ | 4 |



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| | <p>ROE = 15.00%</p> <p>Now, let's compare the ROE ratios for both companies:</p> <p>Alfa Ltd has an ROE of 16.67%, and Beltex Ltd has an ROE of 15.00%.</p> <p>Answer: Based on the provided financial data, Alfa is using trading on equity more effectively than Beltex. Alfa's higher ROE of 16.67% indicates that it is generating a better return on its shareholders' equity compared to Beltex, which has an ROE of 15.00%.</p> <p>This suggests that Alfa is utilising its equity more efficiently to generate profits, making its trading on equity strategy more effective.</p> <p>Award 2 marks each for both the companies ROE.</p> | |
| 29 | <p>Here are the identified barriers to effective communication in each scenario:</p> <p>Scenario 1</p> <p>Barrier: Status Differences: In this scenario, the different interpretations of the project's deadline stem from team members' diverse status backgrounds. Each team member might have different attitudes towards time, varying work norms, and approaches to meeting deadlines, leading to confusion and delays in project execution.</p> <p>Scenario 2</p> <p>Language and Jargon: The use of technical jargon and industry-specific terms in the email exchange creates a barrier to effective communication. Some team members may not fully understand the specialised language, leading to misinterpretation of the message and causing misunderstandings and misaligned tasks.</p> <p>Scenario 3</p> <p>Lack of Active Listening: The team member's consistent habit of interrupting others during discussions inhibits open and constructive communication. This behavior reflects a lack of active listening, as the individual fails to allow others to express their ideas fully, leading to frustration among team members and hindering effective collaboration.</p> <p>Scenario 4</p> <p>Technological Issues: In this virtual team meeting scenario, poor internet connectivity causing frequent disruptions and audio glitches is a technological issue that acts as a barrier to effective communication. Some</p> | 1 |



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| | <p>team members may miss crucial information due to the technical problems, and the overall efficiency of the meeting is reduced.</p> <p>Award 1 mark each for barrier to communication.</p> | |
| 30 | <p>As an evaluator of the financial decisions of a manufacturing company, the following scenarios have been presented for analysis:</p> <p>Scenario 1</p> <p>Market Demand: Assessing current and projected market demand is essential to ensure that the expanded production capacity aligns with potential sales and revenue growth.</p> <p>Scenario 2</p> <p>Risk Assessment: The management should conduct a risk assessment to understand the potential consequences of increased debt, such as interest rate fluctuations and refinancing risks.</p> <p>Scenario 3</p> <p>Cost Analysis: A comprehensive cost analysis is necessary to identify areas where cost-cutting measures can be implemented without compromising product quality or customer satisfaction.</p> <p>Scenario 4</p> <p>Market Entry Costs: Assessing the expenses associated with market entry, such as marketing, distribution, and infrastructure setup, is essential for financial decision-making.</p> <p>Award 1 mark for each factor or any other relevant point.</p> | 4 |
| 31 | <p>1. The principle of "Discipline" as proposed by Henry Fayol emphasizes the importance of establishing clear rules, guidelines, and consequences for employee conduct within the organization. When applied effectively, this principle can have several positive impacts like accountability, reduced absenteeism and consistent performance on employee behavior and performance in the manufacturing company.</p> <p>2. The principle of "Remuneration" in Henry Fayol's management principles pertains to fairly compensating employees for their work and contributions to the organization. A performance-based remuneration system is one that ties employee compensation directly to their individual or team performance. This creates a direct link between efforts and rewards, motivating employees to be disciplined and put in their best effort to achieve higher rewards.</p> | |



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| | <p>1. The principle of "Division of Work," as proposed by Henry Fayol, advocates dividing the overall work into specialized tasks and assigning them to individuals based on their skills and expertise. Implementing this principle in the retail store can lead to several benefits that improve efficiency and productivity.</p> <p>2. As a manager, follow these steps to achieve a balanced approach:</p> <p>Assess Individual Capabilities Encourage Input and Involvement Set Clear Expectations Foster a Collaborative Culture Provide Feedback and Recognition Monitor Progress</p> <p>Award 1 mark for a detailed explanation of each point.</p> | |
| 32 | <p>a) Differential Piece Wage Rate System: F.W. Taylor it as a method to incentivize workers and increase productivity. Under this system, workers are paid different rates for each unit of output they produce. The idea behind this approach is to reward higher productivity with higher wages. Taylor believed that by offering financial incentives, workers would be motivated to work more efficiently and increase their output, leading to greater overall productivity for the organization. This concept laid the foundation for modern performance-based pay systems and piece-rate systems that are still in use today in some industries.</p> <p>b) Mental Revolution: The term "Mental Revolution" coined by F.W. Taylor refers to a fundamental change in the mindset and attitudes of both workers and management towards work. Taylor observed that there was often a significant divide between workers and management, with both sides viewing each other with suspicion and distrust. He advocated for a mental revolution that involved workers acknowledging that their interests were aligned with those of management, and vice versa. Taylor believed that through cooperation and understanding, both parties could work together to achieve common goals, such as increased efficiency and productivity. This mental revolution was seen as a prerequisite for successfully implementing scientific management principles in an organisation.</p> <p>c) Harmony, not Discord: F.W. Taylor emphasized the importance of achieving harmony rather than discord in the workplace. He believed that conflicts and antagonism between workers and management were detrimental to productivity and hindered organizational success. To achieve harmony, Taylor proposed the application of scientific management</p> | 1 |



principles, which involved careful planning, standardization of work processes, and clear communication between workers and management. By removing unnecessary frictions and creating an environment of mutual trust and cooperation, Taylor aimed to establish a harmonious relationship between employees and management, ultimately leading to increased productivity and efficiency.

d) Functional Foremanship: Functional Foremanship is a concept developed by F.W. Taylor as part of his scientific management system. Under this approach, the traditional role of a single foreman overseeing a group of workers is divided into multiple specialized foremen, each responsible for a specific aspect of the production process. Taylor identified eight distinct functions that were crucial for efficient production, such as route clerk, instruction card clerk, time and cost clerk, etc.

Award 1 mark for any three

OR

1. One of the primary limitations of planning is the uncertainty of the future. No one can predict with absolute certainty how the external environment or internal conditions will change over time. Changes in market trends, technological advancements, economic conditions, or political factors can disrupt even the most well-thought-out plans.

2. Planning can be a time-consuming process, especially for complex organizations and projects. Gathering data, analyzing information, setting goals, and formulating strategies require considerable time and effort, which may delay the actual implementation of actions.

3. Strict adherence to plans may lead to rigidity in decision-making. If managers are unwilling to adapt or deviate from the original plan when unforeseen circumstances arise, it can hinder the organization's ability to respond effectively to changing conditions.

4. Planning can be costly, particularly when it involves extensive research, market surveys, or hiring specialized consultants. Smaller organizations or those with limited resources might find it challenging to afford comprehensive planning processes.

5. Planning often relies on forecasts and assumptions about the future. Overreliance on predictions can lead to unrealistic expectations and misalignments between actual outcomes and planned goals.

6. Some employees or stakeholders may resist the implementation of new plans, especially if they perceive the changes as threatening or disruptive to



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| | <p>their current roles or ways of doing things. This resistance can undermine the successful execution of the plan.</p> <p>Award 1 mark each limitation of planning.</p> | |
| 33 | <p>1. A strategic plan defines our company's long-term vision, mission, and overarching objectives. It involves analyzing market trends, identifying opportunities, and understanding our strengths and weaknesses.</p> <p>2. Policies are broad guidelines and principles that guide decision-making and behavior within the organization. They define acceptable conduct, standards, and rules for various activities and processes.</p> <p>3. Programmes are comprehensive plans that encompass multiple projects or activities with a common goal.</p> <p>4. Objectives are specific, measurable targets that support the achievement of the overall strategic plan.</p> <p>5. Rules are specific and explicit guidelines that govern specific actions or conduct within the organization. They define the do's and don'ts, ensuring clarity and uniformity in employee behavior.</p> <p>6. Procedures are detailed step-by-step instructions on how to perform specific tasks or processes. They provide consistency and standardization, ensuring tasks are executed accurately and efficiently.</p> <p>Award 1 mark for each type of plan.</p> | 6 |
| 34 | <p>Primary Packaging: it is the layer of packaging that directly encloses the product. It is the first level of packaging that comes into direct contact with the product and is often the most visible to the consumer.</p> <p>Real-Life Example: For a consumer electronics company, the primary packaging for a smartphone would be the box that holds the phone itself, along with any accessories such as charging cables and earphones.</p> <p>Secondary Packaging: it refers to the packaging used to group and protect multiple units of the primary package during distribution. It is designed to facilitate handling and transportation of the product.</p> <p>Real-Life Example: Continuing with the smartphone example, the secondary packaging would be the larger carton that holds multiple individual phone boxes for shipment to retailers.</p> <p>Tertiary Packaging: it is the outermost layer of packaging used for bulk transportation and storage of products. It is designed to protect products during long-distance transportation and warehousing.</p> | 6 |



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| | <p>Real-Life Example: In the context of the consumer electronics company, the tertiary packaging would be the large pallets or crates used to hold and transport numerous secondary packages filled with smartphones to distribution centers or retail stores</p> <p>Award 1 mark to each level of packaging and 1 mark for each example given.</p> | |
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