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ST. LAWRENCE HIGH SCHOOL

A Jesuit Christian Minority Institution



Selection Test

Sub: Business Studies Model Answer Class: XII B & C

F.M.: 80

Duration: 3 hrs. 15 minutes

Date: 17/11/2018

Instructions to the candidates:

1. Special credit will be given for answers which are brief and to the point.
2. Marks will be deducted for spelling mistakes, untidiness and bad handwriting.
3. Figures in the margin indicate full marks for the questions.

PART – A

(Marks: 44)

1. Answer the following questions (alternatives are to be noted):

4x7=28

(a) Discuss the principles of scientific management.

Principles of scientific management: Taylor gave the following principles of scientific management:

- i) Replacing **rules of thumb** with science i.e. by organized knowledge.
- ii) Obtaining harmony rather than discord in group actions.
- iii) Achieving co-operation of human beings rather than individualism.
- iv) Development of workers to their greatest efficiency and prosperity

Or Explain two important principles of management developed by Fayol.

Explain any two of the following 14 principles developed by Fayol:

- Principle of Division of Work
- Principle of Authority and Responsibility
- Principle of Discipline
- Principle of Unity of Command
- Principle of Unity of Direction
- Principle of Subordination of Individual Interest to General Interest
- Principle of Remuneration of persons
- Principle of Centralisation and decentralization
- Principle of Scalar Chain
- Principle of Order
- Principle of Equity
- Principle of Stability of Tenure of Personnel
- Principle of Initiative
- Principle of Esprit De Corps

(b) Discuss the LPG analysis of business environment in Indian context.

LPG analysis refers to Liberalisation, Privatisation and Globalisation. Following are the LPG analysis of business environment:

Liberalisation: It refers to end of license, quota and many more restrictions and controls which were effective before 1991. The economic liberalisation paves the way of privatisation and globalisation in India. Therefore, the Industrial Policy of 1991 is considered as the landmark towards the open economy in India. The process of disinvestment is one of the outcomes of economic liberalisation.

Privatisation: Primarily, privatisation means the process of transferring ownership of business enterprise, agency, public service or public property from the Government or public sector to the private sector. Therefore, it refers to give greater importance to private sector and reducing the dominance of public sector. Often, Government outsources its services or functions to private firms, e.g., revenue collection, the PPP model etc.

Globalisation: It is the process of international integration arising from the interchange of world views, products, ideas and other aspects of culture. Till 1991, the Government of India followed strict and conservative policies towards import, export and foreign investments in the country. But the Industrial Policy of 1991 widens the scope of globalisation.

(c) Discuss the limitations of planning.

Limitations: Though planning has certain benefits, but it has also certain drawbacks to the organisation. The limitations of planning can broadly be classified into two categories, i.e., Internal Limitations and External Limitations.

Internal Limitations:

- ✓ Rigidity
- ✓ Lack of adaptability in dynamic environment
- ✓ Reduces creativity
- ✓ Involving huge cost
- ✓ Time consuming
- ✓ Estimation, no guarantee of success
- ✓ Lack of accuracy

External Limitations:

- ✓ Natural disaster
 - ✓ Change of policy of the competitor
 - ✓ Change of government policy
 - ✓ Change of taste, fashion, choice, style and income of the society
 - ✓ Change of technology.
- ✓ (Discuss the above points in brief)

Or Briefly discuss the planning process.

Planning Process: Planning is simply a rational approach to accomplish an objective. Generally, planning is done to meet the future uncertainties and contingencies at a minimum level. It aims at realizing the objectives conforming to some predetermined policy and following certain procedure with some budgetary provision involving strategic approach. Planning always gives a guideline to future courses of action to meet various problems.

According to Ernest Dale, it is the formal planning in which step by step plans are put in writing, with time-table covering all the steps and it includes analysis of resources to carry out all the steps listed.

(i) **Perception of opportunities:** To frame a plan one has to be comprehensive enough to perceive the available opportunities in the market and in the economy. The process of exploring the opportunities and the betterment of the organisation are also to be considered significantly.

(ii) **Determining of objectives:** The next step of planning is to set up the goal or the target of the organisation. All planning activities must spell out in clear terms so that this can be benefitted to the organisation.

(iii) **Premising or establishment of premises:** Here premises are the assumptions or forecasts about the future course of actions based on the facts and information. Planning premises must be taken into consideration while planning is to be done. The important planning premises are: tangible premises; intangible premises; internal premises; external premises; controllable premises; semi-controllable premises; uncontrollable premises; fixed premises; variable premises; past and future premises; strategic premises; different levels premises etc.

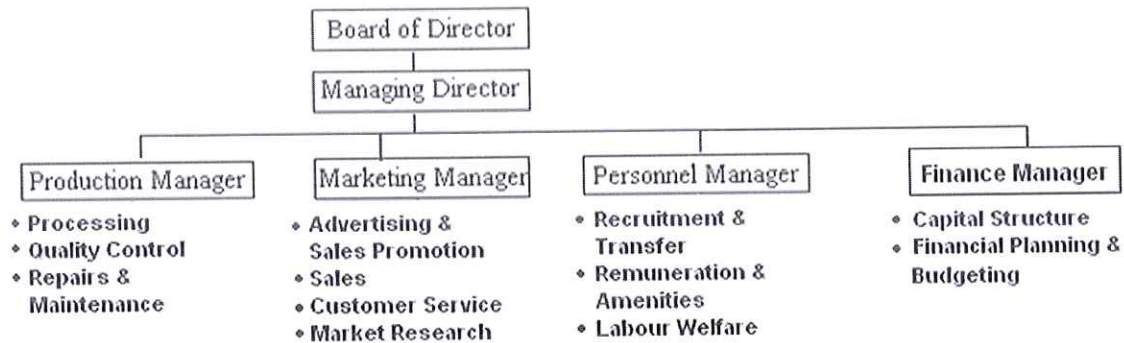
(iv) **Data collection:** In planning data are collected from various sources. These sources are classified into two categories: (a) Internal sources: It includes past records, files, deeds and documents, workers-employees etc. (b) External source: It includes Government, different publications, official gazette etc.

Besides these, following are also the aspects of the planning process:

- **Finding out alternative courses of action**
- **Evolution and choice of the best alternative course of action**
- **Preparation and derivation of plans and sub-plans**
- **Scheduling**
- **Determination of elements and implementation**
- **Follow-up**

(d) Elucidate the functional organisational structure with suitable diagram.

The term functional organizational structure refers to how the people in an organization are grouped and to whom they report. The organisational structure that consists of activities such as co-ordination, supervision and allocation of task is known as Functional Organisational Structure. In an organisational structure alike activities are clustered under a particular department for effective control and management. For example: all activities related to sales are under the Marketing Department. The traditional way of organising people is by function and some common functions within an organisation include production, marketing, human resources and accounting. Following is the diagram of a specimen functional organisational structure:



Or Distinguish between formal organisation and informal organisation.

Points of Difference	Formal Organisation	Informal Organisation
Meaning	The formal organisational structure which clearly spells out the job to be performed by each individual, authority, responsibility assigned to every individual, the superior-subordinate relationship and the designation of every individual in the organisation.	The informal organisational structure gets created automatically and the main purpose of such structure is getting psychological satisfaction.
Rules & Regulation	It requires to follow certain written or printed rules and regulation.	It does not follow any printed or written rules and regulation, but it follows certain norms.
Objectives and goals	Objectives and goals are well defined and specific.	Objectives and goals are not specific and not even well defined.
Stability	It is stable.	It is not stable.
Channels of communications	It follows normal communication channels like order, circulars, notice etc.	It follows informal communication channels like telephone, verbal communication etc.
Leadership	It establishes direct relationship between authority and leadership i.e. the person who has highest authority is considered as the leader.	There is no direct relationship between authority and leadership i.e. the person who has lowest authority may consider as leader.

(e) Elucidate the components of staffing.

Components of Staffing: The components/elements/aspects of staffing can be classified in the following ways:

- Recruitment
 - Internal Source of Recruitment
 - External Source of Recruitment
 - Selection
 - Training and Development
- (Discuss the above points in brief)

Or Show the differences between recruitment and selection.

Points of Difference	Recruitment	Selection
Meaning	Recruitment is the process of which involves identifying the suitable candidates and inducing them to apply for the right job in an organisation.	It is a process of screening and selecting the most eligible candidate and offering them jobs.
Nature	It is a positive process as it induces more and more candidates to apply.	It is a negative process since it rejects more and selects less.
Objective	The objective of it is to provide a group of candidates which is large in number to select the qualified employees.	The objective it is to match the personal traits of the candidates with the quality and ability needed for performing the job successfully.
Sources	It has both internal and external sources.	Since selection comes after the recruitment, so there is only one source i.e. the recruitment source.
Procedure	Giving advertisement in newspaper for the vacancies.	Taking interview of the candidates for the selection.

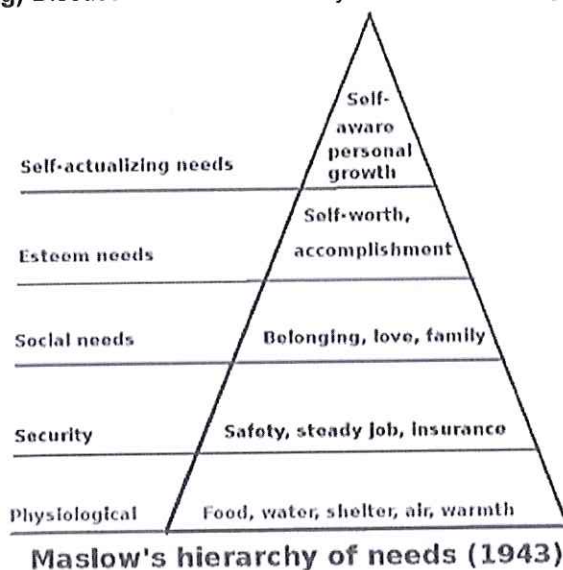
(f) Discuss the limitations of controlling.

Control is utmost necessary for an organisation to travel through the pre-designed path and reach the desired target, but it is not free from limitations. The limitations have been discussed below:

- Fail to establish proper standard
- Lack of measurability of certain factors
- Unavailability of information at a correct time
- Incorrect diagnosis of cause deviation
- Fail to motivate the employees
- Inflexibility in the system
- Expensive process.

(Discuss the above points in brief)

(g) Discuss Maslow's hierarchy of needs with diagram.



Maslow's hierarchy of needs is a theory in psychology proposed by Abraham Maslow in " A Theory of Human Motivation", 1943. The hierarchical theory developed by Maslow has been classified into following needs:

- **Physiological Need:** Physiological needs are the physical requirements for human being. These requirements are necessary for the survival of the human. Therefore, food, clothing and shelter are the physiological needs to the people.
- **Safety and security Need:** After the satisfaction of physiological needs, the individual safety and security needs are required to be satisfied. The safety needs can be classified into following categories:
 - Physical safety: Due to war, natural disaster, family violence, childhood abuse etc. physical safety of the human being may be disturbed.
 - Mental safety: Job security, job guarantee, insurance policies, savings, accommodation at reasonable rate etc. provide mental safety to the people of the society.
The effect of this need is likely found in children and women, because they want to be always safe and secured.
- **Social Need:** After the fulfillment of above needs, one has to satisfy the social needs. It involves the feelings of belongingness and emotions. Love & affection, companionship, friendship and family are the important factors of social need.
- **Esteem Need:** Every human has a need to feel respected. It includes the need to have self-esteem and self-respect. Esteem represents the human desire that is to be accepted and valued by others. People often involve into different social activities, like organising Durga Puja, Blood Donation Camp etc. in their locality for being respected and recognized by others.
- **Self-actualization Need:** " What a man can be, he must be"----- this is perhaps the best expression to describe the Self-actualisation need. It refers to a person's full potential is required to be explored for realizing his/ her goal. For example: the person who has quality of leadership wants to be the leader at highest level.

Or Discuss the qualities of a good leader.

Qualities of a good leader: A good leader is required to implement the clauses of directing. He/she has to be friend, philosopher and guide to the group members. A leader should lead from the front, so that the team members get enough confidence from him/ her to fulfill their commitment. Following are the important qualities of a good leader:

- ❖ Physical qualities
- ❖ Knowledge, intelligence and scholarship
- ❖ Integrity and honesty
- ❖ Self confidence and sense of responsibility
- ❖ Initiatives
- ❖ Motivation skill
- ❖ Communication skill
- ❖ Decisiveness
- ❖ Social skill

(Discuss the above points in brief)

2. Answer the following question (alternative is to be noted):

4x1=4

Distinguish between primary market and secondary market.

Points of Distinction	Primary Market	Secondary Market
Definition	The market through which new securities are offered and issued to public as IPO or FPO with the help of underwriter is known as Primary Market. E.g. Initial Public Issue of a Ltd. Co.	The market through which old or existing securities or stocks are transacted with the help of broker and sub-broker is known as Secondary Market. E.g. BSE
Transferability of securities	The parent company issues securities to the investors.	Securities are transferred from one investor to other.
Capital Formation	It contributes directly towards the capital formation as fund goes from the investors to entrepreneurs.	It has indirect effect towards capital formation as fund rotates among the investors.
Location	There is no fixed location of primary market. It spreads everywhere.	There is fixed location of secondary market with fixed working hours.
Price of securities	Price of securities is determined by the management of the limited company.	Price of securities is determined by the interaction of demand and supply in the market.

Or State the objectives of SEBI.

Securities and Exchange Board of India (SEBI): The SEBI was established on April 12, 1988 through an administrative order but became a statutory and powerful organisation for controlling security exchange since 1992. The overall objective of the SEBI is to protect the interest of the investors, and to promote the development and to regulate the securities market and the matters connected therewith or incidental thereto.

Objectives:

- To regulate the activities of stock exchange
- To protect the rights of investors and ensuring safety to their investment.
- To prevent fraudulent and malpractices by having balance between self regulation of business and its statutory regulations.
- To regulate and develop a code of conduct for intermediaries such as brokers, underwriters etc.

3. Answer the following questions (alternatives are to be noted)

6x2=12

(a) Give the concepts of fixed and working capital. Distinguish between these two.

(2+4)

Fixed capital is that portion of the total capital outlay that is invested in fixed or non-current asset, such as, land, buildings, plant and equipments, furniture and fixtures etc.

Any excess of current assets over current liabilities is known as working capital. Sum total of all current assets is known as Gross Working Capital; the difference of current assets and current liabilities is known as Net Working Capital.

Points of Difference	Fixed Capital	Working Capital
Meaning	The amount of capital which remains fixed is known as fixed capital. E.g. Land & Building.	Any excess of current assets over current liabilities is known as working capital.
Necessity	It is required to provide infrastructure to the business.	It is required to provide liquidity to the business.
Nature	It cannot be negative.	If current liabilities exceed the current assets, then it can be negative.
Rate of turnover	It has very low rate of turnover.	It has high rate of turnover.
Depreciation	It is depreciated.	It cannot be depreciated.

(b) Discuss the objections against advertisement.

Advertisement is an important marketing aspect in the modern business world. It is an indirect approach to increase the sales volume and the marginal revenue to a business unit. But it has certain drawbacks which are considered as objections against advertisement. These are:

- Improper language and slogan
- Obscene pictures
- Irrational activities
- Dubious advertisement
- Deceives and Confuses customers
- Formation of Monopoly business
- Increases cost or production and distribution
- Creation of unethical demand

Or Discuss the qualities of a good salesman.

The success of marketing management is largely depended on sales; success of sales is largely depended on salesmanship; and success of salesmanship is largely depended on the efficiency and quality of a good salesman. Hence, a good salesman must have certain qualities for the successful existence of a business. These are:

- Physical Qualities
- Mental Qualities
- Professional Qualities

Physical Qualities: Perhaps the most important quality that a good salesman needs is the physical qualities. It includes:

- Pleasant appearance: A successful salesman must have smart, attractive and pleasing appearance.
- Good health, habits and mannerism: Good health is required for hard work; good habits and mannerism are required for creating a good image among the customers.
- Good energy and stamina: A salesman has to travel a lot or he/she has to stand for a long time to discharge the duty of sales.

Mental Qualities: Mental stability, patience etc. are required to be a good salesman. Mental qualities include:

- Intelligence: A good salesman must be intelligent enough to study quickly the tastes, habits, temperament, income etc. of customers. Presence of mind is also needed to manage the adverse situation.
- Patience and Persistence: A good salesman should have patience to listen the complaints and difficulties of customers. He/she must be sympathetic towards the problems of the customers.
- Self-confidence: Concentration towards the duties and firm determination create self-confidence in life. A good salesman is the symbol of both the qualities, hence self-confidence develops.
- Honesty: Dishonesty may bring temporary success to the salesman, but honesty makes it permanent. So, a good salesman is required to adopt honesty in his/her life.

Professional Qualities: Salesmanship is a profession, so it requires certain professional qualities. These are:

- Education and training: General educational qualification along with special educational qualification is required to be a good salesman. On job and off job training is also required as the part of professional qualification of a good salesman.
- Knowledge about product or service: The salesman should be well conversant with the qualities, utilities and price etc. of the goods or services.
- Eloquence: A salesman has to present the qualities of the product or service in short and convincing way of speaking and thus win over the buyers' confidence. He/she must have command over many languages including English and local language to convince customers.
- Loyalty: A good salesman must have unflinching loyalty to the organisation he/she is associated with. He/she must feel proud about the organisation and always think about the success of it.

PART – B (Marks: 36)

Multiple Choice Types Questions (MCQ) & Short Answer Type Questions (SAQ) of 1 mark.

1. Find out the correct answer out of the options given against each question:

1x12=12

- (i) AIMA stands for:
 - (a) All India Management Association.
- (ii) Management is
 - (c) recommended as a profession
- (iii) Management principles are formed
 - (b) by continuous observation and experimentation
- (iv) The term PODSCORB was advanced by
 - (c) Luther Gullick
- (v) Demographic environment is related to:
 - (a) population structure.
- (vi) Planning premises signifies:
 - (b) planning assumptions
- (vii) Rumours are often spread by:
 - (d) informal organisation.
- (viii) Which of the following is the external source of recruitment?
 - (b) recommendations
- (ix) In staffing process selection is preceded to
 - (c) recruitment.
- (x) Which of the following is not the semantic barrier?
 - (d) lack of initiatives.
- (xi) Planning and controlling are:
 - (d) all of these.

- (xii)) Auditing is a
(b) backward looking.

2. Answer the following questions in one sentence each (alternatives are to be noted): 1x5=5

- (i) Give one reason to describe management as science.

One reason to describe management as science is the scientific principles of management were established by continuous observation and experimentation.

Or Who involved at the lowest tier of management?

The front-line or bottom level management which comprises foreman, supervisor etc.

- (ii) What do you mean by principles of management?

The principle means guideline. Therefore, the principles of management means the guideline towards management activities.

Or What is *kaizen*?

It is a Japanese word which means *change for better*. *Kaizen* is a daily activity which eliminates hard and difficult task by experimenting scientific methods.

- (iii) State one difference between rules and method.

Rule	Method
Rules are norms for action and non-action of employees, e.g. smoking is prohibited in the campus.	Methods are formulated way of doing routine and repetitive jobs, e.g., the process which is adopted for the preparation of cake is the bakery.

- (iv) What is delegation of authority?

It means the assignment of authority or power to the subordinate by the manager to carry out specific activities.

Delegation also confers transfer of responsibility to subordinates.

Or Give the meaning of accountability.

The term accountability means to be answerable to the higher authority. Hence, accountability flows from the bottom level to higher level.

- (v) State the meaning of financial incentives with example.

It is an extra or additional payment by the employer after recognizing the service of the employee. It acts as stimulator to motivate or encourage the employees. Example: Annual or Festive Bonus.

Or What is informal communication?

A casual form of information sharing personal conversation with friends or family members within the scope of business environment is called as informal communication. Electronic mails, text message, phone calls etc. are the popular media of informal communication.

3. Find out the correct answer out of the options given against each question: 1x12=12

- (i) Financial Management deals with:

(d) all of these.

- (ii) A decision to acquire a new and modern plant to upgrade an old one is a

(c) investment decision.

- (iii) Which of the following is an important determinant of dividend decision?

(d) all of these.

- (iv) The cheapest source of finance is

(d) retained earnings.

- (v) Debt capital is

(d) none of these.

- (vi) Convenience goods are:

(a) consumer goods.

- (vii) Advertisement has mainly

(a) commercial approach.

- (viii) Which marketing philosophy emphasizes on easy availability of product?

(a) production concept.

- (ix) Which of the following is not the shopping product?

(a) ice-cream.

- (x) Where are the Consumer Education and Research Centre (CERC) located?

(a) Ahmemdabad.

- (xi) In which Indian State the Consumers Protection Act is not applicable?

(b) Jammu & Kashmir.

- (xii) Penalty can be imposed under which section of the Consumers' Protection Act, 1986?

(a) Sec. 27.

4. Answer the following questions in ONE sentence each (alternatives are to be noted):

1x7=7

(i) Mention one factor of dividend decision.

Availability of profit after tax.

Or What is financial structure?

The specific mixture of long-term debt, debenture or bond and share capital in the capital of a company is known as capital or financial structure of a company.

(ii) What is interest coverage ratio (ICR)?

Interest coverage ratio i.e. EBIT:Interest etc. is necessary to determine the capital structure of a company.

(iii) What is stock exchange?

The Securities Contracts (Regulation) Act, 1956, has defined stock exchange as an association, organisation or body of individuals, whether incorporated or not, established for the purpose of assisting, regulating and controlling business or buying, selling and dealing in securities.

Or Write full form of NSDL and CDSL.

National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

(iv) Mention 4Ps of marketing.

Product, Price, Place, Promotion are the 4 P's of marketing.

(v) What is trade mark?

Trade mark is the part of branding which is given legal protection to the product. No other firm can use the name or sign for which a company get legal protection.

Or Give one example of advertising media.

Newspaper.

(vi) Write the full form of ECOSOC.

The Economic and Social Council.

(vii) What is the minimum age bar to be the member of state commission?

Should not be less than 35 years of age.
