



ST. LAWRENCE HIGH SCHOOL

A JESUIT CHRISTIAN MINORITY INSTITUTION

Pre Test – 2019

Sub: Business Studies Model Answer

Class: XII

F. M. 80

Duration: 3 Hours 15 Mins

Date: 03.08.2019

Part - A

[Marks 44]

1. Answer the following questions:

(4x7=28)

a. Explain the principle of unity of command.

It is one of the 14 principles as developed by Henri Fayol in 1916. It means the subordinate should get orders and instructions only from one superior. There must not be any confusion of instruction to the subordinate.

b. Explain the four impacts of government policy changes on business and industry in India.

- Increasing competition
- Emergence of buyer's market
- Rapidly changing technological environment
- Need for developing human resources etc.

c. Explain briefly the steps involved in planning process.

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
- (ii) Determining of objectives
- (iii) Premising or establishment of premises
- (iv) Data collection
- (v) Finding out alternative courses of action
- (vi) Evolution and choice of the best alternative course of action
- (vii) Preparation and derivation of plans and sub-plans
- (viii) Scheduling
- (ix) Determination of elements and implementation
- (x) Follow-up

d. Discuss the functions of SEBI.

The SEBI performs various functions to meet its objectives. The functions of SEBI have been classified into following categories:

- Protective functions
- Developmental functions
- Regulatory functions

Protective Functions: These functions are performed by SEBI to protect the interest of investor and provide safety of investment. As protective functions SEBI performs following functions:

- Checks Price Rigging
- Prohibits Insider trading
- Prohibits fraudulent and unfair trade practices
- Educates investors
- Determines code of conduct

Development Functions:

- Training
- Flexibility in operation

Regulatory Functions:

- Rules and regulations
- Register and regulate intermediaries
- Register and regulate mutual fund
- Regulate takeover of companies

- Conducts enquires and audit the stock exchanges

e. State the objectives of the NSE.

Objectives of NSEI:

- ✓ Establishing a nationwide trading facility for all types of securities
- ✓ Ensuring equal access to investors all over the country through an appropriate communication network.
- ✓ Providing a fair, efficient and transparent securities market using electronic trading system.
- ✓ Enabling shorter settlement cycles and book entry settlement.
- ✓ Meeting international benchmarks and standards.

f. State any four reasons why understanding of business environment is important for managers.

- Enables the firm to identify opportunities and getting first mover advantage
- Helps the firm to identify the threats and early warning signal
- Helpful in tapping and assembling resources
- Helps to adjust and adjust with the rapid changes
- Assisting in planning and policy marking
- Improvement in performance

g. Write short note on: Time Study.

Time study is one of the techniques of Scientific Management as developed by F.W.Taylor. It involves analyzing the time taken by the workers for their various movements required to perform a job.

The basic objectives of time study is to find out standard time required for completing a job. Standard output is determined on the basis of the standard time.

2. Answer the following questions:

(4x1=4)

a. "No enterprise can achieve its objectives without systematic planning" – do you agree with this statement?

Give any four reasons in support of your answer.

Yes, I do agree with this statement. Following are the reasons in support to my answer:

- Provides direction
- Reduces risk and uncertainties
- Innovates ideas
- Decision making
- Establishes standard of controlling
- Focuses attention on objectives
- Improves financial efficiency
- Balancing different activities

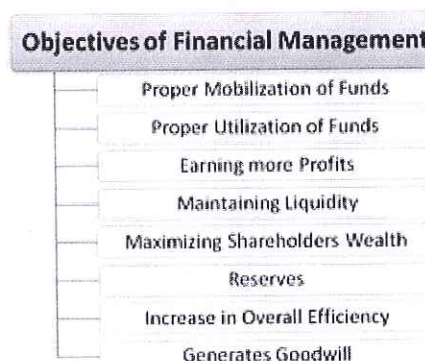
3. Answer the following questions:

(6x2=12)

a. Define financial management. Discuss its objectives.

Financial management means planning, organizing, directing and controlling the financial resources of the enterprise. It is an essential part of the economical and non-economical activities which leads to decide the efficient procurement and utilization of finance with profitable manner.

The first and foremost objective of financial management is to maximize the wealth of equity shareholders. The financial managers take decisions to mobilize and utilize business finance on behalf of the owners for strengthening the financial conditions of the company. Following diagram displays the objectives of financial management:



b. Discuss the importance of financial planning.

Proper financial planning is essential for the success or prosperity of any business enterprise. Following are the significant aspects towards the importance of financial planning:

- ✓ Collection of optimum funds
- ✓ Fixing the appropriate capital structure
- ✓ Investing finance in right projects
- ✓ Helps in operational activities
- ✓ Basis of financial control
- ✓ Helps in proper utilization of finance
- ✓ Helps in avoiding business shocks and surprises
- ✓ Link between investment and financing decisions
- ✓ Helps in coordination
- ✓ Links present with future

Part - B
[Marks 36]

4. Choose the correct alternatives:

(1x12=12)

- | | |
|--|--|
| <p>a. Coordination is:</p> <ul style="list-style-type: none">i. Function of management.iii. An objective of management. <p>b. Henri Fayol laid down:</p> <ul style="list-style-type: none">i. 12 principles.iii. 14 principles. <p>c. Globalization helps to enhance –</p> <ul style="list-style-type: none">i. Free trade.iii. Free flow of capital. <p>d. Which one of the following is not a characteristic of planning?</p> <ul style="list-style-type: none">i. Planning is goal-oriented.iii. Planning is a pervasive function of management. <p>e. Money market instruments –</p> <ul style="list-style-type: none">i. Have low default risk.iii. Mature in one year or less. <p>f. Financing decisions are influenced by –</p> <ul style="list-style-type: none">i. Cost of raising funds.iii. Period of finance. <p>g. Management and administration are –</p> <ul style="list-style-type: none">i. Same.iii. Partly same partly different. <p>h. A piece rate system was written by –</p> <ul style="list-style-type: none">i. Harold Koontz.iii. Louis Allen. <p>i. The New Industrial Policy in India was started in –</p> <ul style="list-style-type: none">i. 1956.iii. 1991. <p>j. Which planning focuses on day to day actions of work units?</p> <ul style="list-style-type: none">i. Corporate planning.iii. Unit planning. <p>k. Which one of the following is not a current asset?</p> <ul style="list-style-type: none">i. Cash in hand.iii. Debtors. <p>l. Money market refers to markets where the lenders and borrowers exchange –</p> <ul style="list-style-type: none">i. Short term funds.iii. Long term funds. | <ul style="list-style-type: none">ii. The essence of management.iv. None of these. <ul style="list-style-type: none">ii. 13 principles.iv. 15 principles. <ul style="list-style-type: none">ii. Free flow of technology.iv. All of these. <ul style="list-style-type: none">ii. Planning is a mental process.iv. Planning involves taking actions to attain organizational goals. <ul style="list-style-type: none">ii. Are usually sold in large denominations.iv. All of these. <ul style="list-style-type: none">ii. Cost of floatation.iv. All of these. <ul style="list-style-type: none">ii. Different.iv. None of these. <ul style="list-style-type: none">ii. F.W. Taylor.iv. Henri Fayol. <ul style="list-style-type: none">ii. 1981.iv. 2001. <ul style="list-style-type: none">ii. Divisional planning.iv. Departmental planning. <ul style="list-style-type: none">ii. Cash at bank.iv. Creditors. <ul style="list-style-type: none">ii. Medium term funds.iv. All of these. |
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5. Answer the following questions in one or two sentences:

(1x5=5)

- a. "Management is a science" – Give two reasons in favour of this statement.

- It establishes cause and effect relationship between two or more variables and underlines the principles governing their relationship.
- Management principles are established by the continuous observation and experimentation of various factors of it.

b. Mention two methods by which principles of management are derived.

Taylor's Scientific Principles of Management and Fayol's Principles of Management.

c. Define liberalization.

It refers to end of license, quota and many more restrictions and controls which were effective before 1991 for starting a new business or expanding an existing business. The economic liberalization paves the way of privatization and globalization in India.

d. Define the term strategy.

Strategy has many definitions, but generally it involves setting goals, determining actions to achieve goals and mobilizing resources to execute the action.

e. What is the cheapest source of corporate finance?

The cheapest source of corporate finance is Retained Earning.

6. Choose the correct alternatives:

(1x12=12)

a. Which of the following statements is not correct?

i. Management is a goal oriented process.

iii. Management is a continuous process.

ii. Management is a universal process.

iv. Management is a rigid process.

b. Henri Fayol was –

i. A social worker.

iii. A mining engineer.

ii. A professional accountant.

iv. A production engineer.

c. PSU means –

i. Public sector unit.

iii. Private steel unit.

ii. Private serious unit.

iv. Private scale unit.

d. Which of the following is not an element of planning?

i. Programmme.

iii. Policy.

ii. Procedure.

iv. Information.

e. The name of the share market related with Dalal Street –

i. Kolkata.

iii. Delhi.

ii. Mumbai.

iv. Chennai.

f. Net working capital is the excess of current asset over –

i. Current liability.

iii. Total payable.

ii. Net liability.

iv. Total liability.

g. The word PODSCORB was advanced by –

i. Henri Fayol.

iii. Harold Koontz.

ii. Luther Gullick.

iv. P.F. Drucker.

h. Esprit de corps means –

i. Union is strength.

iii. Buyer beware.

ii. Service is our motto.

iv. Product is strength.

i. Which environment is within the control of the business?

i. Internal.

iii. Micro.

ii. External.

iv. Macro.

j. Planning includes –

i. Objectives.

iii. Strategy.

ii. Policy.

iv. All of these.

k. Financial planning starts with the preparation of –

i. Master budget.

iii. Balance sheet.

ii. Cash budget.

iv. None of these.

l. The National Stock Exchange index is popularly known as –

i. Sensex.

iii. BSE.

ii. Nifty.

iv. SEBI.

7. Answer the following questions in one or two sentences:

(1x7=7)

a. Define capital market.

Capital market signifies, the market which provides long term supply of capital in various forms, especially in forms of securities like shares, debentures etc. for the purpose of industrial and commercial development of the country.

b. What are the levels of management?

The levels of management are Top Level, Middle Level and Lower or Front-line Level.

c. What is the main objective of fatigue study?

The main objective of fatigue study is to measure the efficiency of the workers. The recess time is also determined on the basis of the outcome of the fatigue study.

d. How would you define legal environment?

Legal environment means the legal requirements or formalities to be maintained for the establishment and functioning of a business.

e. Define corporate level strategy.

Corporate level strategy is formulated by top management to oversee the interests and operations of organizations made up of more than one line of business.

f. Name the capital invested in permanent assets.

Fixed capital.

g. Who issues treasury bills?

The RBI.