

Business Studies 2012 (Outside Delhi)

Set I

Time allowed : 3 hours

Maximum marks : 100

1. **Name the type of plan that provides the broad contours of an organisation's business.** [1]
Answer : The type of plan that provides the broad contours of an organisation's business is 'Strategy'. A strategy refers to a comprehensive plan that is developed in order to achieve the desired objectives of an organisation. It includes three main dimensions *viz.*, determining long-term objectives of plan, adopting the required course of action and allocating the necessary resources in the organisation to achieve the desired objectives.
2. **'Planning always lead to success.' Do you agree ? Give reasons in support of your answer.** [1]
Answer : No, planning does not always lead to success. If planning is not proper then success can not be achieved. Although, it defines the goals and objectives to be achieved and provides direction to the managers about what course of action is to be followed for achieving these objectives, planning may not work right in a changing environment. Business environment is dynamic in nature and changes continuously. Planning cannot foresee such changes and may prove futile. Therefore, it is clear from the above discussion that planning does not always lead to success.
3. **Identify the nature of management when it is practised as personal application of existing knowledge to achieve desired result.** [1]
Answer : The nature of management when it is practised as personal application of existing knowledge to achieve desired results 'is art'. Management is considered an art because the manager applies the existing theories and principles based on his own knowledge, creativity and skill to achieve the desired result and objective in an organisation.
4. **Name the level of management at which the managers are responsible for implementing and controlling the plans and strategies of the organisation.** [1]
Answer : The level of management at which the managers are responsible for implementing and controlling the plans and strategies of the organization is the middle level of management.
5. **Give the meaning of 'placement' as a step in the process of staffing.** [1]

Answer : Placement refers to actually occupying the position by the employee for which he has been selected. It is a step that comes after selecting in the process of stafying.

6. Define 'communication'. [1]

Answer : Communication is defined as a process wherein ideas, feelings, facts, etc., are exchanged among people. Communication forms the basis of management and fosters coordination among various departments and individuals in the organisation for the smooth functioning of an organisation. Communication can be oral or written.

7. State any one 'Development function' of Securities and Exchange Board of India (SEBI). [1]

Answer : One of the development functions of securities Exchange Board of India is to conduct training and development of the intermediaries so as to promote healthy growth of the securities market.

8. State any one advantage of Over the Counter Exchange of India. [1]

Answer : One of the advantages of Over the Counter Exchange of India is that it provides a trading platform for the small and less liquid companies which are not eligible for listing on a regular stock exchange which is done through the bank.

9. State how 'self-regulation of business' acts as a means of consumer protection. [1]

Answer : Business firms should realise that it is their long-term interest to protect the interest of the customers. They must increasingly work towards customer satisfaction as customer satisfaction not only leads to repeated sales but also helps in spreading the good words about the company, thereby drawing the new customers for the business. Thus, the business firms must follow ethical values and avoid any form of exploitation towards the consumers such as unfair trade practices and adulteration can be restricted.

10. Give any one responsibility of a consumer in addition to obtaining cash receipt while purchasing a washing machine. [1]

Answer : In addition to obtaining cash receipt, the consumer must carefully read the instructions regarding the use and safety for washing machine which is provided by the manufacturer.

11. Explain how principles of management : [3]

(i) Help in optimum utilisation of resources and effective administration.

(ii) Help the managers in meeting changing environment requirements.

Answer : (i) **Optimum utilisation of resources :** As the resources available to an organisation are limited, they must be utilised in an optimum manner *i.e.*, they must be able to provide maximum benefit at the minimum cost. By adhering to the principles of management, the exact cause and effect relationship of the decisions of managers can be predicted. Therefore, the wastages of resources that may be associated with the trial and error method, can be avoided or negligible.

(ii) **Adapt to changes in the business environment :** As the business environment is dynamic in nature, the managers must make changes in the organisation to deal with the changes in the business environment in a better manner. Principles of management guide the managers in implementing the changes as per the requirement. For instance, as today's business world is getting complex, there is an increasing need for specialisation and division of work.

12. Why is training important for the employees ? State any three reasons. [3]

Answer : Training is important for any organisation as it aims at building the skills and abilities of the employees to perform their job. Importance of training in the organisation can be seen by the following points :

(i) **Systematic learning :** Training is a concept that involves the systematic learning of a job. It is a more efficient way of learning than any trial-and-error method. It helps to reduce wastage of time and money in an organization can be seen by the following points.

(ii) **Increase in productivity :** By making employees more efficient, training enhances their productivity. This increase in both qualitative and quantitative productivity boosts the profits of the company to a large extent.

(iii) **Managerial efficiency :** Training prepares employees to face new challenges in different situations, thus helping them to make efficient and effective responses to various business problems. It also provides future managers to take protective steps in an emergency situation.

13. What is meant by 'financial planning' ? State any two points of its importance ? [3]

Answer : Financial Planning refers to the process of estimating the amount of funds that would

be required by a business, and determining the sources through which these funds would be obtained. The process that enables an enterprise to tackle the uncertainties regarding availability of funds is called 'Financial Planning'.

The importance of financial planning is as follows :

(i) **Helps in facing eventual situations** : Financial planning helps in forecasting the future. It involves preparing a blueprint and analysing the various financial situations that may occur in the future. Therefore, it helps the organisation to cope with adverse situations in a better manner.

(ii) **Helps in avoiding surprises and shocks** : It helps an organisation to detect such situations as shortage or surplus of funds in the future by anticipating the payments and receipts of funds. Thus, it prepares the managers in advance for such situations. It helps in avoiding element of uncertainty from investment and financing decisions.

14. Mansi, a shoe manufacturer for schools students, decided to maximize her profit by producing and distributing at large scale and thereby reducing average cost of production.

[3]

(i) Identify the marketing management philosophy adopted by Mansi.

(ii) Explain this philosophy on the basis of

(a) Main focus (b) Means and ends

Answer : (i) The marketing management philosophy adopted by Mansi is the 'Production concept'.

(ii) (a) The main focus of this philosophy is to maximise the production of goods, thereby reducing the average cost of production. In addition, it also focuses on improving the availability and affordability of the product so as to attract more customers and thus sales increase.

(b) Improving the quality product can be of seen as means to achieve the end in the form of profit through quality product.

15. Explain any three assumptions of Maslow's Need Hierarchy Theory.

[3]

Answer : According to Maslow's Need Hierarchy Theory, within each individual, there exists a set of five needs that can be arranged in a hierarchy. Knowledge of these needs helps the manager in understanding the behaviour of employees. With identification of the needs of employees, appropriate motivation can be provided to them.

The three assumptions of this theory are given below :

(i) People behave as per their need. In other words, the satisfaction of people's need is guided by their behaviour.

(ii) Needs of individuals can be arranged in a hierarchical order. *i.e.*, they can be ranked from very basic to higher levels.

(iii) An individual can move to a higher level need only when the lower level need in the hierarchy is satisfied. It is necessary.

16. Explain that technique of scientific management which is the strongest motivator for a worker to reach a standard performance.

[4]

Answer : The technique of scientific management that is the strongest motivator for a worker to reach a standard performance is 'differential piece wage system'.

According to this technique of scientific management, wages of the workers are marked according to a set standard. Workers who perform better than the set standards get a higher wages than the workers who perform poorly and thus, labour is motivated in working the task. Frederick Taylor introduced this system to mark out the efficient workers from the inefficient ones and reward them accordingly. This system also act as a source of motivation for the workers who performed below standards. For instance, a standard output is set at 5 units per day. That is, the workers who will produce 5 or more than 5 units will receive ₹ 40 per unit and the workers who will produce less than 5, will receive ₹ 30 per unit. Now, if an efficient worker makes 6 units of output, he will receive ₹ 240 (40 × 6). In contrast to this, if an inefficient worker makes 4 units of output, he will receive ₹ 120 (30 × 4). Thus, giving due rewards to each worker according to the work done motivates them to work efficiently. In the above example, the difference of ₹ 120 (240 – 120) will act as a motivational factor for the inefficient worker and will motivate him to increase his efficiency.

17. State any four points of importance of organizing function of management.

[4]

Answer : Organising refers to designing the roles and directing the employees towards the accomplishment of organisational goals. The focus of organising lies in enabling people to work together and implement the plans for successful attainment of the objectives. The following are points of importance of organising function of management :

1. Clear Definition of working relationships : Through proper organising, the working relationships in an organisation get clearly defined. It specifies how much authority is entrusted on whom. In other words, it becomes clear who is to report to whom. Such clarity in working relationships helps in avoiding any ambiguity in transfer of instructions and orders.

2. Avoids duplication of work : As the various tasks and responsibilities are clearly assigned, the chances of overlapping and duplication of work are minimised. This helps in reducing the wastage of resources in the organization.

3. Coordination : It deals with organising groups of similar activities in an organisation into different departments and units. This leads to better coordination in various tasks and thereby promotes harmony in the organisation.

4. Promotes growth : Under organising, specialisation and clear definition of working relationships enables the enterprise to deviate from its normal course of action and embark on new roles and challenges. In other words, it allows the enterprise to diversify and add new lines of activities. With proper organising, a company can easily grow and expand its operations to new geographical territories, thereby increasing its customer base, volume of sales and profits and thus growth can increase.

18. Investment decision can be long-term or short-term. Explain the long-term investment decision and state any two factors affecting this decision. [4]

Answer : The long-term investment decisions are also known as caoutak budgeting decisions. Such decisions involve investment decisions regarding attainment of new assets, expansion, modernisation and replacement. Long-term investments include purchasing plant and machinery, furniture, land, building, etc. It also include such expenditure as launch of a new product modernisation and advertising. Such decisions are very important for a business as they have the capability of changing the financial fortunes of a business. They have long-term implications on the business and are irrevocable except at a huge cost. The following are the two factors that affect capital budgeting decisions of a company :

(i) Expected cash flow : Whenever a project involves the investment of huge funds, the organisation expects some amount of regular cash flow from the investment so as to meet its daily requirements.

The amount of such cash flows must be properly analysed before taking the investment decision if expected cash flow is lower then initial investment then those project must be ignore.

(ii) Rate of return : The rate of return forms the most important criteria for investment in any project. The returns that a project is expected to bring in the form of income to the organisation must be carefully analysed. In this regard, investment projects associated with greater rate of return are preferred over those that offer less rate of return. If the project expected return is sufficient, the project is accepted.

19. Explain the following 'Rights of consumers.'

(a) Right to be informed

(b) Right to seek redressal

[4]

Answer : **(a) Right to be informed :** According to this, the consumer has the right to be informed of the quality, quantity, price, ingredients, weight, etc., of the goods and services. In India, it is legally mandatory for the manufactures to provide all such information on the package and label of the goods. This enables the consumer to make a prudent and conversant choice.

(b) Right to seek redressal : A consumer has the right to seek redressal and compensation in case of any exploitation and injury to the product. The Consumer Protection Act, 1986 provides for compensation in the form of replacement of product, cash compensation, repair/removal of defects, etc. Under this Act, consumer redressal forums have been set up at district, state and national levels where consumer can register his/her complaints.

20. Atul is working in an organisation. After every three months his manager transfers him from one department to another so that he may gain a broader understanding of all the departments of the organisation. Name and explain the method of training Atul is undergoing. [4]

Answer : The method of training that Atul is undergoing is 'Job rotation'. Under this method, the employee gets to work in every department of the organisation so that his/her knowledge can increase. This enables him to gain knowledge of the structure and working of each department and of the organisation as a whole. In addition, this method provides an opportunity to the employee to test his aptitude and ability in different areas of work. Moreover, as the employee works in different departments, he gets to interact with the members of these

departments. This in turn, promotes co-operation among various departments. Another benefit of this method is that it becomes easy for the organisation to practice transfer or replacement of the employees as the employees are already well aware with the various departments and their members.

21. Explain how management 'increases efficiency' and 'helps in development of society'. [5]

Answer : (i) **Increases efficiency :** While aiming at achievement of goals, management works upon increasing the efficiency. It aims at optimum utilisation of the available resources. Thus, it helps in achieving the desired goals with minimum cost and with minimum resources. All the functions of management namely planning, organising, staffing, directing and controlling focus towards increasing the overall efficiency. In this cost benefit analysis must be done.

(ii) **Helps in development of society :** An organisation is a part of the society. In this view, the management should work towards contributing its bit towards the society and fulfilling the social obligations as well. For instance, the management should insist on adopting environment-friendly methods and contribute towards social causes such as education of the poor and employment to the weaker sections, etc. Thus, development of society can increase.

22. State any five points that clarify how understanding of Business Environment helps the managers. [5]

Answer : Understanding of the business environment play vital role for managers. A continuous evaluation and understanding of the business environment helps a manager to take into account the various external forces that affect the business in a better manner and thereby improve overall efficiency. The following points clarify how understanding of Business Environment helps to the managers :

(i) **Identification of opportunities :** With a careful analysis, a manager can identify the possible opportunities for the business. An early identification of the opportunities helps it in taking first hand advantage in competition.

(ii) **Identification of threats :** Besides positive opportunities, a study of business environment helps a manager to identify the threats or negative signals that may adversely affect its functioning. Thus, it enables managers to take appropriate preventive measures.

(iii) **Accumulating useful resources :** The environment provides a variety of resources or inputs for the functioning of a business such as raw material, machinery and labour. On the other hand, enterprises provide the environment with output in the form of goods and services. That is, environment acts both as a source of resources as well as a source of demand for the products of the enterprises. Thus, it becomes logical for the enterprises to take those resources from the environment that can be converted into the desired output. This is possible only if the enterprises have an understanding of what the environment desires and what it can offer.

(iv) **Adjusting to changes :** Business environment is dynamic in nature i.e. it can be change as per the requirement. Changes in technology, consumers taste and preference, government policies take place continuously. A careful analysis and understanding of the environment helps a manager to deal with these changes in a better manner and take appropriate actions.

(v) **Formulating plans and policies :** A continuous study of the business environment helps an organisation in the identification of opportunities and threats. This in turn guides the manager in formulating suitable plans and policies in view of the current business circumstances.

23. State any five limitations of planning. [5]

Answer : The five limitations of planning are as follows :

(i) **Rigidity :** Planning is rigid in nature. Once a plan regarding the objectives to be achieved and the course of action to be followed is formulated, the manager may not be able to change it. Such rigidity creates hurdles, particularly at times of unforeseen changes. At times of unexpected changes, the managers may require certain degree of flexibility so as to cope with the changes in an appropriate manner. Thus, rigidity in plans sometimes creates obstacles in the accomplishment of organisational objectives.

(ii) **Cannot deal with dynamic environment :** Business environment is dynamic and uncertain. However, planning cannot forecast such changes and fails at times of changes and uncertainties. This may lead to failure in the accomplishment of objectives of an organization. An organization must adjust its functioning to the changing environment.

(iii) **Reduces creativity :** In any organization, planning is often done by the top level of management, while the lower and middle level

of management just follow these plans. They are not allowed to deviate from the pre-defined course. They just implement and execute the plans as stated. Thus, they tend to follow the same thinking pattern as others and lose their own creativity. It is possible that they might have better ideas for the accomplishment of the objectives. However, due to lack of involvement in decision making it remains useless.

(iv) **Huge costs** : Formulation of plans involves huge costs in terms of time and money. As planning is based on future predictions, it requires a lot of thinking and analysing. Planning involves scientific calculations along with figures and facts, which are to be used in formulating the course of action. This involves high costs. Moreover, sometimes it might also happen that the benefits derived from planning fall short of the costs incurred.

(v) **False security** : Good planning may not guarantee success of an organisation. Often, managers tend to rely on pre-tested plans that have worked well in the past. However, it is not always true that if a plan had worked well in the past, it will also be successful in the future. Many unforeseen changes may crop up that may fail the plan. Sometimes managers think that planning can prevent problems from occurring. However, they ignore the fact that planning just provides a base for predicting the future. It does not give straight away solutions to the problems.

24. Pranav is engaged in 'Transport business'. Identify the working capital requirements of Pranav stating the reason in support of your answer. Pranav also wants to expand and diversify his transport business. Explain any two factors that will affect his fixed capital requirements. [5]

Answer : The working capital requirements for the business of Pranav would be quite less. This is because Pranav deals in transport which is a service. Such organisations involve short operating cycle and there is no processing done. Here, the sales transaction takes place immediately and therefore very less amount of working capital is required.

The following are the two factors that would affect the fixed capital requirements of Pranav in case of expansion and diversification of business:

(i) **Available alternatives for financing** : If leasing facilities are easily available in the financial market, then this would provide an easy alternative for

the business for outright purchase of fixed assets. That is, the business can easily obtain the assets on lease and use it rather than purchasing it. In this way, the need to invest a huge sum in fixed assets considerably reduces, which in turn reduces the fixed capital requirements but in some case leasing is costly thus cost/benefit analysis must be done.

(ii) **Possibility of collaboration** : At times, business organisations undergo collaboration with each other and jointly establish certain facilities. This is because at times their individual scale of operation is not such that they would be able to fully utilise the facility. In such cases, collaboration with other business organisations reduces the requirement of fixed capital for each of the organisations. But in this case ownership is diverted.

25. Differentiate between advertising and personal selling on any five basis. [5]

Answer : The difference between advertising and personal selling are as follows :

Basis of Difference	Advertising	Personal Selling
Personal communication vs. Impersonal	It is an impersonal form of communication where the seller communicates with customers	It is a personal form of communication where the seller directly interacts with the potential
	through various mediums such as television, newspapers, radio, hoarding etc.	customers and tell them about the product.
Reach	Advertising has a broader reach as the advertisement reaches a large number people simultaneously.	It has a narrower reach as only a few people can be contacted directly.
Flexibility	It is inflexible i.e., advertisements are standardised and cannot be adjusted as per the requirements of different customers.	It is flexible i.e., the seller can adjust the message as per the requirements of different customers.

Target Group	It is more suitable where marketing has to be done on a large scale. For example, advertising is suitable if marketing is to be done for the ultimate customers.	It is more suitable when marketing is to be done for a few selected consumers. For example, if marketing is to be done for intermediaries and retailers, personal selling is more useful.
Cost Involved	As advertising reaches the masses simultaneously, the cost per person is low.	Personal selling is relatively costly but suitable for new product.

26. What is meant by 'Formal organization'? State any three advantages and any two limitations of formal organisation. [6]

OR

'Delegation is the entrustment of responsibility and authority to another and the creation of accountability for performance'. In the light of this statement identify and explain the essential elements of delegation.

Answer: Formal organisation is an organisational structure which follows a system of well-defined rules and regulations that specify the boundary of authority and responsibility. It is deliberately created by managers to achieve organizational objectives. Such a system lays more emphasis on work to be performed rather than interpersonal relationships.

The advantages of a formal organisational structure are as follows :

(i) **Reduced confusion** : In a formal organisation, unity of command is maintained through a defined set of relations. This chain specifies who has to report and whom reporting is done. This helps in reducing confusion within the working environment and to accomplish the goals in timely.

(ii) **High stability** : A formal organisation provides stability *i.e.*, it defines the rules to guide the behaviour of its employees. By doing so, the management is fairly able to predict the behaviour of the working people and can thereby provide high stability to the organisation.

(iii) **Avoids duplication of work** : Since the responsibilities are clearly defined in a formal organisation, there is no ambiguity in the role that any member has to play. This helps

in avoiding duplication of work and reduces wastage of efforts in the organisation.

The two limitations of formal organisation are as follows :

(i) **Delay in decision-making** : Each member of a formal organisation has to follow a pre-defined chain of relationships so delay in making decision. This may lead to procedural delays as everybody has to follow the established chain for each and every task. Thus, this may result in delay in decision making as well.

(ii) **Limited creativity** : Creativity gets limited in a formal organisation. This is because any deviation from the defined rules and procedures is restricted. This limits the creativity of the employees working in the organisation as they are not allowed to practise new ways of doing things and in this proper procedure are already defined.

OR

The following are the basic elements of delegation :

(i) **Authority** : It refers to the power given to an individual to command and direct his subordinates. It implies the right to take decisions regarding what is to be done and to whom the reporting is done. A scalar chain in a formal organisation facilitates authority as it entails the link between various jobs and determines the relation of who is to report to whom. It is a downward flowing channel, *i.e.*, superior commands authority over the subordinates. The extent of authority at the top level management is the highest and gradually decreases at the middle level and lower level management. However, the scope of authority delegated depends on the rules and regulations of the organisation. Assigning authority helps in maintaining submission and compliance.

(ii) **Responsibility** : Responsibility refers to the devotion and responsibility of the subordinate to complete the assigned task. That is, once a duty has been assigned to a subordinate, it is his responsibility to perform the task properly and within specified scheduled time. A subordinate should be dedicated and loyal towards the duty assigned to him. The superior-subordinate relationship gives rise to a sense of responsibility. As against authority, responsibility flows upward *i.e.*, the subordinate is responsible to his superior. However, care should be taken that while assigning responsibility to a subordinate,

he must be given a certain degree of authority. On the other hand, an individual who is given authority must also have some responsibility. This is because authority without responsibility may lead to the misapplication of power. On the other hand, responsibility without authority may lead to ineffectiveness.

(iii) **Accountability** : Accountability implies the responsibility of the superior for the final outcome of the work he is assigned. Although the superior delegates the work to his subordinate, the former will still be responsible for the final outcome. For this, the superior provides regular feedbacks and supervision to ensure that the subordinate performs the tasks properly and satisfactorily. The concept of being accountable arises out of responsibility itself.

27. What is meant by leadership ? Explain any four qualities of a good leader. [6]

OR

What is meant by directing as a function of management ? Describe any four points of its importance.

Answer : Leadership implies influencing the behaviour of employees in such a manner that they willingly work towards achieving the objectives of their organisation. It plays a key role in the success of an organisation as it guides the workers in the right direction. Good leadership brings out the capabilities and talents of the workers and thereby boosts their confidence.

The following are the four qualities of a good leader :

1. **Physical attributes** : People with good physical features such as height, appearance and health are attractive. A healthy and active person can work hard efficiently and thereby has the capability of being looked up to. Thus, he can induce his subordinates as well to work and perform better.

2. **Honesty** : A good leader should maintain a high degree of honesty and integrity. He should be sincere and follow ethics and values. He should be an idol for others in terms of honesty, integrity and values so that other can follow them.

3. **Intelligence** : A leader must have a good presence of mind and knowledge. He should be competent enough to effectively examine and solve the problems encountered in the course of work. He must also have required intelligence to

take proper decisions based on logic and facts.

4. **Inspiration** : A leader should be a source of inspiration and motivation to others i.e. he must be ideal in terms of work, performance and values. He must be able to develop willingness among the subordinates to work to the best of their capabilities so that goal can be achieved.

OR

Directing refers to a process where employees of an organisation are instructed, motivated and guided to achieve certain goals and objectives. The following four points highlight the importance of directing :

(i) **Initiates action** : Directing is a function that sets the ball rolling i.e. it initiates the action of any task that is to be done. The employees in an organisation cannot start working unless they are given proper instructions and directions as to what and how the task is to be performed. Moreover, in the process of performing the task, proper supervision and motivation helps the employees to achieve the desire targets and goals in the organisation.

(ii) **Integration of efforts** : Directing combines the individual efforts of the employees and channelises them towards the common goals of the organisation. Every organisation is composed of a number of employees who have different jobs assigned to them and work at different levels. It is through directing that their efforts are coordinated and integrated towards the common goals of the organisation.

(iii) **Employee development** : By guiding the employees to work in the right direction, directing promotes employee development. Proper motivation and leadership encourage the employees to work to the best of their capabilities. Directing brings about a sense of belongingness among the employees towards the organisation and thereby encourages them to give their best.

(iv) **Facilitates changes** : Directing helps an organisation to adopt the changes that occur in the working environment. Usually, people working in the organisation resist to such changes. Effective directing, through proper motivation and communication, helps in reducing the resistance of the employees towards the change.

28. What is meant by budgetary control ? State any five advantages of budgetary control. [6]

OR

What is meant by controlling ? State any

five points highlighting the importance of controlling.

Answer : Budgetary control is a technique of planning the future operations in the form of budgets. Here, 'budeget' refers to a quantitative or qualitative statement which presents the objectives to be achieved in a specified period of time. These budgets are then used as standards for measuring the actual performance. Budgetary control presents time-bound policies to be used for the attainment of the objectives. It also facilitates management by exception by focussing on the activities which deviate significantly from the set budgets. However, to ensure effectiveness of the technique, estimates about the future should be as accurate as possible. In addition, the budgets should be flexible so as to adapt to the changes in business environment.

The following are the five advantages of budgetary control :

(i) Attaining goals of the organisation : As budgeting focuses on the targets to be achieved and the policies to be followed in a specific period of time, it helps in the accomplishment of organisational goals and objectives in a better manner. In this budget are prepare and organisation complete as per budget.

(ii) Motivation to employees : Through budgeting, the employees get to know clearly the standards against which their performance will be assessed. This motivates them to perform better and as per the set standards and employee also rewarded.

(iii) Promotes coordination : Budgeting highlights that various departments and divisions in an organisation are interrelated and interdependent on each other. Budgets of one division or department are prepared keeping in view the programmes and schedules of other departments. In this way, budgeting promotes coordination among various departments in the organisation so that desired goal achieved.

(iv) Ensures optimum utilisation of resources : Under budgeting, the resources are allocated to various departments based on their needs and requirements. Accordingly, the departments that command higher priority for the resources are allocated more resources. In this way, budgetary control ensures that there is optimum utilisation of the resources.

(v) Facilitates management by exception : As this technique emphasises on the activities that deviate from the standards, it facilitates

management by exception.

OR

Controlling is an important and indispensable function of management. It aims at controlling the managerial actions by setting standards and identifying the deviations of actual performance as against the set standards. It also ensures optimum utilisation of resources while taking corrective measures for the deviations. The following factors highlight the importance of controlling :

(i) Achieving organisational goals : Controlling aims at accomplishment of the organisational goals by indicating the deficiencies and the corrective actions to be taken. It helps in moving in the right direction for attaining the set organisational objectives.

(ii) Evaluating the standards : Controlling helps in judging the accuracy of standards adopted by the management of an organisation. This is done by enabling the managers to check whether the set standards are accurate and feasible. It also makes it possible for the organisation to review and revise the standards according to the changing business environment.

(iii) Optimum utilisation of resources : A continuous controlling and monitoring system helps in the efficient and optimum utilisation of resources. As each task is performed according to the set standards, there is less wastage of resources.

(iv) Employee motivation : By exercising effective control, employees get to know well in advance about what is expected from them and the standards against which their performance will be assessed. This motivates them to achieve the assigned targets in a better way.

(v) Order and discipline : Efficient controlling helps in creating an atmosphere of order and discipline in the organisation. As employees are aware that they are being continuously observed, the dishonesty and inefficiency in behaviour is minimised.

29. Explain any four functions of 'stock exchange'. [6]

OR

Explain any four methods of floatation of new issue in the 'primary market'

Answer : 'Stock exchange' refers to a market where buying and selling of securities take place. The following are the main functions of a stock

exchange:

(i) **Provides liquidity and marketability** : Stock exchange provides a ready platform for trading of existing securities. In other words, it provides a continuous market for the sale and purchase of securities. Herein, the investors can continuously invest and reinvest. This provides marketability to the securities. Moreover, through the stock exchange, securities can easily be converted into cash whenever required. In addition, long-term securities can be converted to medium term and short term, which provides liquidity.

(ii) **Determination of prices** : A stock exchange helps in establishing the price of the monetary assets that are traded in the market. Similar to the case of a commodity, the price of a financial asset is established through the forces of demand and supply for funds. In this regard, financial markets provide a platform for the interaction of the demand of the funds (represented by the business firms) and the supply of funds (represented by the households), it is done with demand and supply forces. Thus, they help in determining the price of the asset being traded.

(iii) **Fair and safe market** : The stock exchange is a legal and well-regulated market. It trades within the defined and existing legal framework. Therefore, it ensures safety and fairness in transactions.

(iv) **Facilitates economic growth** : In a stock exchange, the securities are continuously bought and sold. This continuous process of disinvestment and reinvestment helps in directing the savings and investments to the most productive channels. This enhances capital formation and facilitates economic growth of the organisation.

OR

The following are the various methods through which floating of new issues can be done :

(i) **Offer through prospectus** : The most commonly used method for raising funds in primary market is offer through prospectus. It involves inviting subscriptions from the public by issue of prospectus. A prospectus is a published document in the form of advertisements in newspapers and magazines, etc. It provides such information as the purpose for which the fund is being raised, company's background and future prospects, its past financial performance, etc. Such information helps the public and the investors to know about the company as well as the potential risk and the earnings involved.

Such issues need to be listed on one of the stock exchanges and should be in accordance with the guidelines and rules listed under the Companies Act and the securities Exchange Board of India.

(ii) **Offer through Sale** : Under the offer through sale method, the company does not issue securities directly to the public, rather they are issued through intermediaries such as brokers, issuing houses, etc. That is, under offer through sale, securities are issued in two steps. First, the company sells its securities to the intermediaries at the face value. Later, the intermediaries resell the securities to the investing public at a higher price than the face value to earn profit.

(iii) **Private placement** : Under this method, the securities are sold only to some selected individuals and big institutional investors rather than to the public. The companies either allot the securities themselves or they sell the securities to intermediaries who in turn sell to selected clients. This method saves the company from various mandatory or non-mandatory expenses such as cost of manager fees, commission and underwriter fees. Thus, the companies which cannot afford the huge expenses related to public issue often choose to go for private placement. In this no need to issue prospectus and cost are less in this method.

(iv) **Rights issue** : Under the Companies Act 1956, it is the right of the shareholders of a company to subscribe to the new shares issued by it. The existing shareholders are offered subscription of new shares of the company in proportion to the number of shares possessed by them. If the existing shareholders do not buy then company issue to public.

30. **Consumer products are classified on different basis. 'Durability of the product' is one of them. Explain any three types of products in this category.** [6]

OR

Physical distribution includes some components for physically moving the goods from manufacturers to the customers. Explain these components.

Answer : On the basis of durability of the product, the products can be divided in to the following three categories :

(i) **Durable products** : These are the products that are tangible in nature and can be used repeatedly for a longer period of time. For

example, a television, a refrigerator, a car, and a bicycle are consumer durables. The following are the characteristics of durable goods :

- (a) These goods are generally of a higher price.
- (b) They require after-sale services.
- (c) The sellers of these products often offer a guarantee on these products.
- (d) Such products require personal selling efforts on part of the sellers.

(ii) Non-durable products : These are the products that can be used only once or a few times. For example, products such as vegetables and soaps are consumer non-durables. The following are the characteristics of non-durable goods :

- (a) These goods are comparatively of lower price.
- (b) For their sale, they must be made available at larger number of locations.
- (c) Usually, there exist a large number of sellers for such products. That is, there exists competition in the market. As a result, such products require heavy advertising. This is a case of oligopoly market.

(iii) Services : These refer to the activities that are sold. For example, services of a doctor, a teacher, postal services, etc. This is like a professional service. The following are the characteristics of services :

- (a) They are intangible in nature.
- (b) They cannot be separated from their source *i.e.*, the service cannot be separated from the service provider.
- (c) As against durable and non-durable goods, services cannot be stored.
- (d) They are variable in nature in the sense that the type and quality of service offered varies from one service provider to another.

OR

Physical distribution refers to movement of products from the place of production to the place of consumption. The following are the components of physical distribution :

(i) Processing of order : Processing of order comprises of a number of steps such as placement of order, transmission of the order by the intermediaries to the manufacturer, maintenance of inventory as per the requirement, delivery of goods, etc. All such processes take time and time is specified. The physical distribution system should be such that it should ensure speedy and proper order processing. Generally, there exists a direct relationship between speed and accuracy of order processing and customer satisfaction. Fast and accurate order processing results in greater consumer satisfaction and thus increase sales.

(ii) Transportation of products : Transportation of products refers to the physical movement of goods from the place where they are manufactured to the place where they are consumed. To make the goods physically available to the consumers they must be transported from the place of production to the place of consumption. Proper transport facility must be done.

(iii) Warehousing : Warehousing refers to the process of storing the produced goods before the final act of sale. If a company has a larger number of warehouses, it will be able to readily provide the goods on time at different locations. However, maintaining warehouses involves a higher cost. Thus, a company must evaluate the relative benefits and costs associated with warehousing and maintain a balance between the two as per the requirement.

(iv) Maintenance of inventory : The firms maintain inventory so as to ensure timely supply of products. Similar to warehousing, maintenance of inventory also shares a positive relationship with customer service. However, maintenance of inventory involves a cost as a huge amount of capital remains tied up in the stock unless it is sold. Thus, the firms must strike a balance between customer service and cost. If proper inventory is not maintained than many difficulty take place like order, production etc.

●●

Business Studies 2012 (Outside Delhi)**Set II**

Time allowed : 3 hours

Maximum marks : 100

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

7. Give the meaning of 'Compensation' as a step in the process of staffing. [1]

Answer : Compensation is the step in the process of staffing that is related with the remuneration given to the employees for the services rendered by them.

8. Define 'Supervision'. [1]

Answer : Supervision means monitoring the progress of the work of one's subordinates and guiding them properly.

9. State any one 'protective function' of Securities and Exchange Board of India (SEBI). [1]

Answer : The U/C of the protective functions of Securities and Exchange Board of India is to prohibit unfair trade practices such as, to supply misleading statements to cheat investors.

10. What is meant by 'Capital Market' ? [1]

Answer : The capital market refers to the market or the institutional facilities through which long-term funds, both equity and debt are raised and invested.

14. Why is training important for the organisation ? State any three reasons. [3]

Answer : Training is important for any organization as it aims at building the skills and abilities of the employees to perform their job better. The following is the importance of training in the organization :

(i) **Less wastage :** Training is a concept that involves the systematic learning of a job. It is a more efficient way of learning than any trial-and-error method. It helps reduce wastage of time and money in an organisation, thus organisation can attain maximum utilisation of resources.

(ii) **Higher profits :** By making employees more efficient, training enhances their productivity. This increase in both qualitative and quantitative productivity boosts the profits of the company to a large extent.

(iii) **Managerial efficiency :** Training prepares employees to face new challenges in different

situations, thus helping them make efficient and effective responses to various business problems. It also provides future managers to take protective steps in an emergency situation.

15. What is meant by 'Financial Management' ? State the primary objective of financial management. [3]

Answer : Financial management refers to the effective and efficient acquisition, allocation and utilisation of company's funds. It mainly deals in procuring resources optimally from various identified resources. These funds are invested in order to earn the maximum returns on them. Financial management ensures that these funds are procured at minimum cost and minimum risk and are set up efficiently.

The primary objective of financial management is to maximize the wealth of the shareholders of a company by choosing for those financial decisions that prove profitable from the point of view of the shareholders. The shareholders are said to gain when the market value of their shares rise. The market value of shares increases when the benefits from a financial decision justify the cost involved in making the decision. Thus, a company makes financial decisions such that some value addition takes place, thereby increasing the price of its equity shares and shareholder's wealth. When a financial decision fulfils the primary objective of wealth maximisation, then other objectives such as proper utilisation of funds, maintenance of liquidity, profit maximization and meeting the financial commitments are automatically achieved.

22. Explain any five features of 'Co-ordination'. [5]

Answer : The following are the five features of coordination :

(i) **Unifies the efforts :** Coordination is said to be a group activity as it integrates the efforts of individuals in a group in order to attain set objectives and goals.

(ii) **Ensures unity :** The main purpose of coordination is to join the actions of all the individuals in a group or all the departments

of an organisation. It ensures that the collective individual efforts are channeled for the accomplishment of common organizational goals and objectives.

(iii) Creates a channel for cooperation : Coordination is a continuous process. It creates a channel between the different functions of management. Coordination starts from planning and continues till controlling, after which it restarts with planning.

(iv) Pervades all levels : Coordination is a pervasive function. This means that it is performed at all the three levels of management. It is practiced by the managers of every department in order to ensure unity of action.

(v) Involves all managers : Coordination of activities is one of the responsibilities of managers. The top-level managers ensure coordination in the interest of the overall welfare of the organization. The middle-level managers maintain coordination between the top-level and lower level managers. Finally, the operational level managers perform it to ensure that work is done as per the directions and the objectives of the organization.

23. State any five impacts of Government policy changes on Business and Industry. [5]

Answer : The five impacts of the changes in government policy on business and industry are:

(i) Increased competition : As a result of policies like dereservation and abolition of the licensing policy, the competition faced by domestic industries has increased. Indian companies are facing cut throat competition mainly in the service industry like telecommunication, banking and insurance.

(ii) Increased demand : The choice of products and services has widened for consumers with increased competition. This led to an increase in the overall demand, as consumers have gained from the quality products and greater variety available.

(iii) Rapidly changing technology : Increased competition forces the firms to develop new way to survive and growth in the market. New technologies make it possible to improve production process. The rapidly changing technological environment creates tough challenges before small business units.

(iv) Market orientation : The business enterprises

have become market oriented. In order to survive and grow in the face of increasing competition, they must understand the market first and then produce goods and service accordingly.

(v) Need for developing human resources : Indian industries have suffered for long with inadequately trained personnel. The new market conditions require people with higher competence and greater commitment. Hence there is need of developing human resources.

24. Explain any five features of planning. [5]

Answer : Following are the highlighted features of planning:

(i) Focus on objectives : Planning serves as the guidelines for what goals are to be achieved and how they are to be achieved. They ensure that the objectives of an organisation are achieved on time. For this, the management formulates plans, keeping in mind specific goals, and the managers make sure that the plans are purposeful. For example, if a sales target is to be achieved, then the organisational plans must reflect this objective.

(ii) Stepping stone : Planning serves as the stepping stone for all other functions of an organization. It precedes the other functions such as organizing, directing, staffing and controlling. This is because plans state the objectives of an organisation along with the means to achieve them. The other functions, on the other hand, are planned in accordance with the objectives. Once the plans are determined, the roles of other interrelated functions fall into places. Thus, planning sets the basis for the other functions of management.

(iii) Pervasiveness : Planning must be done at all levels of the organization. It is not a function of just the top level managers; it is a function to be performed at every level of management. However, its scope differs across the various dimensions of business. For example, the top level managers have to chalk out the policies regarding the overall management, whereas the middle level managers plan out the authority to be assigned to the subordinates. On the other hand, the lower level managers make out small targets for day-to-day working.

(iv) Continuity : Planning is a continuous ongoing process. This is because, after the implementation of one plan, the need arises for formulating the next plan, keeping in view the new objectives and circumstances. Moreover, within a plan period, the need arises

to modify the plan as per changing needs and requirements. Thus, planning is a continuous process.

(v) **Choice-making** : Planning is a process of making choices amongst different alternatives for the attainment of the desired objectives. These alternatives are based on the path to be taken, strategies or policies to be followed to achieve the goals, etc. Managers need to evaluate these choices thoroughly and then select the most rational scheme to achieve the set objectives.

25. Differentiate between 'Marketing' and 'Selling' on any five bases. [5]

Answer :

Basis	Selling	Marketing
1. Focus	It focuses on the need of seller.	It focuses on the need of customer.

2. Objective	It is to maximize the profit and sale.	It is to earning optimum profit with customer satisfaction.
3. Scope	It is limited to exchange of goods or services.	It is wide. It includes activities like creation of demand etc.
4. Start and end	Selling start after production and ends with the sale of product.	Marketing starts much before production and continue even after sales.
5. Demand	It assumes demand for the product.	Demand is created by producing product according to the need of customer.



Business Studies 2012 (Outside Delhi)

Set III

Time allowed : 3 hours

Maximum marks : 100

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

15. Define 'Training' and 'Development'. [3]

Answer : Training means equipping the employees with required skills to perform the job. The selected candidate is sent to training to learn the skills and perform better in their work. Development means overall growth of the employee. It focuses on personal growth and successful employees' development.

16. Explain briefly the steps in the process of organisation. [4]

Answer : Following are the various steps involved in a successful process of organising :

(i) **Identifying and dividing the work** : The first step of organizing is to identify and divide the work at hand as per pre-defined plans. The work is further divided into different activities. A clear division of work is aimed to avoid duplication and overlapping of work so that effective work can be done and also increase revenue.

(ii) **Creating departments** : After dividing the work into activities, those activities are further

grouped into smaller sets on the basis of their similarity. Similar activities are grouped together. This process is termed as departmentalisation. Its main objective is to promote specialisation.

(iii) **Assigning duties** : The third step in the organizing process is to assign roles and responsibilities to different personnel. Each department allocates work to its employees as per their skills and abilities. At this stage, the main aim is to assign a particular task to the person with the right skills and abilities.

(iv) **Establishing relationships** : Any organisation needs a proper hierarchical structure to function efficiently. Every person should know whom he/she is working under and to whom he/she needs to report. Clear establishment of such relationships helps to ensure the smooth functioning of an organisation.

22. What is meant by co-ordination ? Explain how does co-ordination 'integrate group efforts' and 'ensure unity of action'. [5]

Answer : Coordination refers to the synchronisation of efforts from the standpoint of time and the sequence of execution.

Coordination integrates group efforts : The need

of coordination is felt when group effort is needed for the accomplishment of an objective. In short, it can be said that coordination is related to group effort and not individual efforts. The question of coordination does not arise, if the job is done by one person only.

Coordination ensures unity of action : The main purpose of coordination is to join the actions of all the individuals in a group or all the departments of an organisation. It ensures that the collective individual efforts are channeled for the accomplishment of common organisational goals and objectives. For example, the purchase and sale departments have to coordinate their effort so that supply of goods takes place according to purchase orders.

23. Describe any five features of 'Business Environment'. [3]

Answer : Following are the features of business environment :

(i) **External forces :** Business environment includes all those forces which are available outside the business and over which the business has no control.

(ii) **Inter-relatedness :** Different forces acting in a business environment are closely related to each other. For example, an increase in the income of the consumers increases the demand for consumer durables such as television, refrigerator, etc.

(iii) **Dynamic nature :** Business environment is dynamic in nature *i.e.*, it can be change as per the requirement. For example, consumer tastes and preferences, technology, government rules and policies keep changing continuously.

(iv) **Complex :** Business environment is the aggregate of different interrelated and dynamic forces. Thus, it becomes difficult and complex to understand and proper study is needed to understand the same. For example, all political, social, economic, technological and legal matters affect the performance of an organisation simultaneously. While, it may be easy to understand the individual affects of these forces, their cumulative effect is quite difficult to understand.

(v) **Uncertainty :** It is very difficult to predict the changes of Business Environment. As environment is changing very fast for example in IT, fashion industry frequent and fast changes are taking place.

24. Explain any five points of importance of planning. [5]

Answer : Planning as a function of management

plays an important role in business enterprises. The following points support this statement :

(i) **Renders direction :** Planning clearly states the goals and objectives to be achieved. Thus, it acts as a guide for different actions in the organisation. In other words, it gives direction to the tasks and activities of different departments of the organisation. It guides the managers about tasks to be performed, what route to be taken and how the objectives are to be achieved. In this way, it ensures that the path taken for the accomplishment of goals is rightly chosen and various departments of the organisation work in a line towards the achievement of the desired objectives.

(ii) **Reduces the risk :** Planning peeps into the future and accredits managers to analyse and anticipate various changes well in advance. This leads to a reduction in uncertainty of foreseen events. However, it should be kept in mind that although planning shows how to deal with various situations that may arise in the due course of management, it does not eliminate the problems.

(iii) **Minimises overlapping :** As the managers are well comprehended with the policies and plans of the organisation, they can work towards coordinating their activities in a better manner so as to better achieve the goal and objectives. In this way, planning helps in reducing the overlapping and duplication of work. Moreover, any wastage of resources that takes place due to repeatedness is also reduced. To work smoothly without any confusion and misunderstanding planning is very important.

(iv) **Helps in decision-making :** Planning serves as the basis for decision making. It involves analysing various alternatives, evaluating the various courses of action and choosing the best alternative as per the goals and objectives. Thus, following a proper planning process helps managers in taking better decisions towards the benefit of the organization as a whole.

(v) **Essential for controlling :** Planning clearly defines the objectives that are to be achieved. These objectives form the standards against which the work performance is evaluated. Without planning, the managers would not know what the final objective is and they may not have any standard against which they can judge the current performance and deficiencies. In this way, planning forms the base for the process of controlling. Without standards and objectives, there is nothing to control.

25. Explain 'Market planning' and 'Product Designing and Development' as a functions of Marketing. [5]

Answer : (i) **Market planning :** Market planning is one of the basic functions of marketing. Marketers plan the various steps required to get the goals and objectives of marketing. In order to do so, they conduct a market research to analyse the requirements and preferences of the customers. Market research helps marketers to develop a most suitable plan,

covering decisions related to the production of a product and its promotion to increase the number of customers.

(ii) **Product designing and development :** It is another function of marketing. The design of the product contributes to the target customers and also gives a competitive advantage in the market. It requires decision regarding the size, design, colour, weight, quality, and other features of product to meet the expectations of the customers.

Business Studies 2012 (Delhi)

Set I

Time allowed : 3 hours

Maximum marks : 100

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

1. Name the type of plan which is time bound and linked with measurable outcome. [1]

Answer : Objective is the type of plan which is time bound and linked with measurable outcome.

2. 'Planning is done for achieving the organisational goals.' Do you agree? Give one reason in support of your answer. [1]

Answer : Yes, I agree with the statement. The planning is primary function of every organisation. The objectives of organisation are set up in planning function and steps are taken in planning function to achieve the objectives.

3. Identify the nature of management when it is said to be systematised body of knowledge that explain certain general truths. [1]

Answer : Management as a science is a systematic and organised body of knowledge which is based on logically observed findings and universal truth.

4. At which level of management are the managers responsible for the welfare and survival of the organisation? [1]

Answer : At the top level management, the managers are responsible for the welfare and survival of the organization.

5. Give the meaning of 'orientation' as a step in the process of 'Staffing'. [1]

Answer : Orientation refers to the introduction of new employees to the existing employees. Large organisations organise orientation programs to familiarize the new employees with existing

while in small companies superior takes the new employee on round and introduce them to the existing employees.

6. Define 'Formal Communication'. [1]

Answer : Formal communication refers to official communication which takes place in the organisation through a formal chain of command. Exchange of views or message related to official matter such as assignment of task, setting up of target etc., is known as formal communication.

7. State any one 'regulatory function' of Securities and Exchange Board of India (SEBI). [1]

Answer : SEBI provide the frame rules and regulations and a code of conduct to regulate the intermediaries such as merchant bankers, brokers etc.

8. State any one objective of setting up National Stock Exchange of India (NSEI). [1]

Answer : NSEI is to provide a nationwide transparent market for equity, debt and other securities.

9. How business associations act as a means of consumer protection? State. [1]

Answer : Business associations such as Federation of Indian Chamber of Commerce and Industry (FICCI) and Confederation of Indian Industry (CII) have framed a set of code of conducts which lay down guidelines for dealing with customers.

10. Give any one relief available to consumer who suffers due to consumption of expired date medicine. [1]

Answer : Payment of adequate cost to grieved party is the relief available to it.

11. Explain how the principles of management : [3]

- (a) Provide useful insights into the reality and
(b) Help in thoughtful decision making

Answer : 1. **Provide useful insight into reality :** Principles of management act as guidelines for the managers. These principles improve knowledge, ability and understanding of managers under various managerial situations. Thus, they help managers to resolve various business issues with ease and efficiency.

2. **Helpful in thoughtful decision-making :** The principal of management helps managers in taking scientific decision based on facts and logics. They are based on the objective assessment of the situation. Thus management principles helps in thoughtful decision making.

12. **Why is training important for the organization ? State any three reasons.** [3]

Answer : The Importance of Training is as follows :

1. **Reduce learning time :** A trained employee takes less time in learning the job as compared to untrained employees. This reduces the wastage of resources.

2. **Better performance :** Trained employee performance is always better than the untrained employee is because he or she knows the tricks to handle the conditions.

3. **Help to adapt changes :** Training helps the employees to adopt environmental and changes.

14. **Nisha, a school bag manufacturer decided to routine improve the product for the profit maximisation and thus added a water bottle holder to the existing design.**

(i) **Identify the marketing management philosophy adopted by Nisha.**

(ii) **Main focus and means and end** [3]

Answer : 1. Nisha adopt the product concept.

2. (a) **Main focus :** Good quality of product with added features in product.

(b) **Means and ends :** Improvement of quality and ends with profit through quality of product.

15. **Explain any three qualities of a good leader.** [3]

Answer : Qualities of a good leader are :

1. **Physical qualities :** Physical features like height, weight, health and the way to attract an individual.

2. **Knowledge, intelligence and scholarship:** A leader must be able to examine every program in the right perspective or direction.

3. **Communication skills :** It is the source of information for all the members of his or her group. They must have good communicative skills through which he passes all the information

or instruction in a correct manner which is given by superiors.

16. **Explain the technique of scientific management that is the extension of 'Principle of division of work and specialisation'.** [4]

Answer : Functional foremanship is that technique of scientific management which is the extension of 'principle of division of work and specialisation, which is suggested by Taylor in this division of factory in two department, *i.e.*, planning and production department. Taylor felt that workers must be free from the burden of planning and they must concentrate on work and production which increase the efficiency and productivity of workers.

17. **Describe briefly the steps involved in the process of organising.** [4]

Answer : The various steps involved in a successful process of organising are as follows :

(i) **Identifying and dividing the work :** The first step of organising is to identify and divide the work at hand as per the pre-defined plans so that everyone is aware of his/her works. The work is further divided into different activities. A clear division of the work is aimed at avoiding duplication and overlapping of work.

(ii) **Creating departments :** After dividing the work into activities, these activities are further grouped into smaller sets on the basis of their similarity and each group has some responsibility. Therefore, similar activities are grouped together. This grouping process is termed departmentalisation. Its main objective is to promote specialisation.

(iii) **Assigning duties :** The third step in the organising process is to assign roles and responsibilities to different personnel. Each department allocates work to its employees as per their skills and abilities. At this stage, the main aim is to assign a particular task to the person with the right skills and abilities.

(iv) **Establishing relationships :** Any organisation needs a proper hierarchical structure to function efficiently. Every person should know whom he or she is working under and to whom he or she needs to report. Clear establishment of such relationships helps to ensure the smooth functioning of an organisation and avoid chaos.

18. **Explain the following as factors affecting financial decision :**

(i) **Cost**

(ii) **Cash flow position of business**

(iii) **Level of fixed operating cost**

(iv) **Control consideration** [4]

Answer : (i) Cost : The cost of raising finance from various sources is different and finance managers always prefer the source with minimum cost.

(ii) **Cash flow position of business :** It helps in selecting the securities. With smooth and steady cash flow companies can easily afford borrowed fund securities.

(iii) **Level of Fixed operating cost :** If a company is having high fixed operating cost then they must prefer owners fund because due to high fixed operating cost, the company may not be able to pay interest on debt securities which create problem for company.

(iv) **Control considerations :** If existing shareholders want to retain the complete control of business then they prefer borrowed fund securities to raise funds.

19. Explain the following 'Rights of a Consumer' :

(i) **Right to safety**

(ii) **Right to consumer education** [4]

Answer : (i) Right to safety : The consumer right is referred to as 'right to be protected against marketing of goods and services which are hazardous to life and property'. It is applicable to specific areas like healthcare, pharmaceuticals and food processing; this right is spread across the domain having a serious effect on the health of the consumers or their well being viz. Automobiles, Housing, Domestic Appliances, Travel etc.

(ii) **Right to consumer education :** The right to consumer education gives consumers the right to be made aware of their rights and responsibilities. Knowledge of the rights and responsibilities of consumers can help them to protect themselves from exploitation and injustice. In addition, they must also be aware of the relief available to them in case of any kind of exploitation. Many government and non-government organisations are active in the field of consumer education.

20. Manu, a Chief Manager in a company using highly sophisticated machines and equipments, wants that every employee should be fully trained before using the machines and equipments. Suggest and describe the best method of training that Manu can use for training the employees. [4]

Answer : The method of training that Manu can use is 'vestibule training'. This method is

generally used in cases where the employee's day-to-day work involves heavy use of delicate and sophisticated machinery. Vestibule training takes place in a classroom away from the workplace. Here, the organisation concerned recreates the working environment with models of the actual machines and materials that the trainees would be using later at their workplace. In other words, conditions similar to the workplace environment are created, and the trainees are allowed to work on models. Only when the trainees achieve proficiency in the use of the models are they allowed to work on sophisticated machinery.

24. Neelabh is engaged in 'Transport business' and transports fruits and vegetables to different states. Stating the reason in support of your answer, identify the working capital requirements of Neelabh. Neelabh also wants to expand and diversify his transport business, explain any two factors that will affect his fixed capital requirements. [5]

Answer : The working capital requirements for the business of Neelabh would be quite less. This is because Neelabh deals in transport which is a service. Such organisations involve short operating cycle and there is no processing done. Here, the sales transaction takes place immediately and therefore very less amount of working capital is required.

The following factors affect the fixed capital requirement of a company in case of expansion and diversification of business :

(i) **Scale of operations :** A factor determining the fixed capital requirement is the scale of operations in which the firm deals. For instance, if an organisation operates on a relatively large scale, then the requirement of fixed capital, i.e., plants, land or building increases. This is because such firms would need to maintain high stock of inventory for their large scale operations. In contrast, if an organisation is working on a smaller scale, then the requirement of fixed capital will be less.

(ii) **Alternative techniques :** There are generally two types of techniques that a company can opt for—capital-intensive or labour-intensive. The choice of these techniques differs from company to company. Herein, a company that follows a capital intensive technique would require a larger amount of fixed capital. This is because such a company would require higher investment in plants and machineries rather than manual

labour. In contrast to this, a company following labour intensive techniques would require a relatively lower amount of fixed capital.

26. What is meant by 'Informal organisation' ? State the features of informal organisation. [6]

OR

What is meant by decentralisation ? State any four points of importance of decentralisation.

Answer : An 'Informal organisation' refers to a network of social relationship that arises spontaneously due to the personal interaction among the employees of an organisation. The system originates from within a formal organisation when employees interact beyond their officially-defined roles and positions. In other words, when employees with different job profiles and positions in a formal organisation interact with one another beyond their boundaries of authority, informal relationships are created. These relations are based on the friendship that develops among employees with similar natures, and bring about the formation of an informal organisation. The following are the features of an informal organisation :

- (i) They evolve within a formal organisation as a result of personal interactions among employees.
- (ii) The behaviour of individuals in an informal organisation is governed by the norms of particular groups and is not dictated by official rules.
- (iii) Informal organisations emerge spontaneously.
- (iv) They facilitate the free flow of communication.
- (v) As informal organisations do not have a definite structure, they are quite complex.

OR

Decentralisation means diffusion of authority. The dispersal of authority of decision-making to the lower level management is termed as decentralisation. Decentralisation of authority is a fundamental phase of delegation. According to Fayol, "Everything that goes to increase the importance of the subordinate's role is called decentralisation."

The Importance of decentralisation is :

1. **Distribution of burden of top executive :** Decentralization enables its executive to share his burden with others at lower levels because here authority is delegated. The top executive is relieved of some burden and can concentrate on his activities for the future of the organization.

2. **Increased motivation and morale :** The morality of the employees are increased because of delegation of authority. Decentralisation helps to increase employee's morale because it involves delegation. The employees are motivated to work.

3. **Greater efficiency and output :** Decentralisation gives emphasis on care, caution and enthusiastic approach to the work which in turn, results in increased efficiency and output. This is possible because it involves delegation of authority and responsibility.

4. **Diversification of activities :** Decentralisation helps in diversification of activities. It create more employment opportunities because new managers are to be entrusted with new assignments.

27. Give the meaning of 'Supervision' as an element of 'Directing' and any four points that explain its role. [6]

OR

What is meant by 'Motivation' ? Explain Maslow's need hierarchy theory of motivation.

Answer : Supervision means instructing, guiding, monitoring and observing employees while they are performing their job in the organisation.

The following are the four basic functions of a supervisor :

1. **Facilitates optimum resource utilisation :** Continuous supervision of the workers ensures the optimum utilization of the resources available. This is because continuous monitoring encourages the workers to use the resources in the best possible manner so that goal, and objective, can be achieved.

2. **Gathers feedback from the subordinates :** As the supervisor work in a direct contact with the subordinates, he/she is in a position to receive their feedback and ascertain their grievances. The supervisor works on the feedback and tries to eliminate the problems.

3. **Maintains unity :** The supervisor plays an important role in maintaining unity among the workers in the organisation. He/she helps ensure a cordial and harmonious working environment.

4. **Ensures discipline :** Under effective supervision, the employees work in a disciplined environment. This helps in the better execution of plans, increasing efficiency in the organisation.

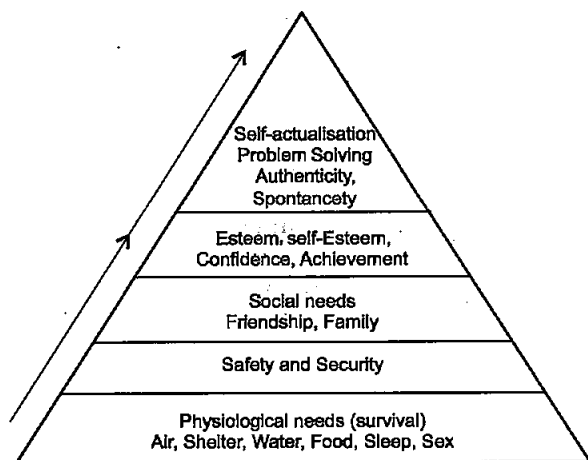
OR

Motivation refers to a process of inducing and motivating an individual to act in certain specified manner. In the context of an organisation, motivation implies encouraging and influences the employees to perform to the best of their capabilities and knowledge so as to achieve the desired goals and objective of the organisation.

Maslow's Hierarchy of needs

The following is the hierarchy of needs as given by Maslow :

1. **Physiological needs** : Physiological needs consist of essential requirements for the sustenance of life. Its is the basic level of the hierachy, as the fulfillment of these needs is necessary for survival– for example, food clothing and shelter are physiological needs. An employee requires a certain basic salary for the satisfaction of these needs.
2. **Security needs** : Security needs relate to the physical and economic security and well-being of an individual – for example, an employee desires job security, income stability, etc.
3. **Social needs** : Social needs consist of the emotional needs of an individual such as affection, acceptance and companionship. Every individual earns for social acceptance and belongingness.
4. **Esteem needs** : Esteem needs inculde respect, dignity and recognition. Every individual wants to command, respect and earn acknowledgement in his or her peer group.
5. **Self-actualization needs** : Self-actualisation needs refer to achieving what one aims or aspries for. Its is the highest level need in the hierarchy. For an employee, such needs relate to growth, work satisfaction, etc.



Maslow's thoery is widely appreciated and is used as the basis for motivation by managers.

However, sometimes it may happen that the needs of an individual do not follow the exact order as given in the hierarchy.

28. Describe the relationship between 'Planning' and 'Controlling'. [6]

OR

Briefly explain the importance of Controlling.

Answer : Planning and controlling are two closely inter-related functions of management. On one hand, planning is the psychological process of thinking about and deciding what is to be done and how it is to be done, while on the other side, controlling is a process of managing and evaluating the work done. In case of any deficiencies from the planned targets, then controlling prompts corrective measures on time. The planned targets and the standards which is the basis form of controlling are provided by planning. Thus, controlling without planning is meaningless, so there is a close and reciprocal relationship between planning and controlling. If there are no standards and no objectives, then there is nothing to control.

Similarly, planning without controlling holds no meaning. Once the plans are formulated, it becomes necessary to monitor and evaluate whether the performance and the work is correct or not. Controlling is the only technique through which the adherence to the plans can be measured and any deviations from the planned targets identified. If there exists any deviation, then controlling prompts timely corrective measures, which ensures the achievement of the planned objectives. If there is no controlling, planning cannot be accomplished. Thereby, planning without controlling is of no use they complement each other and are the inseparable twins of management.

OR

Following factors highlight the importance of controlling :

(i) **Achieving organisational goals** : Controlling aims at accomplishment of the organisational goals by indicating the deficiencies and suggesting the corrective actions which are to be taken. It helps in taking the right direction for attaining the set organisational objectives.

(ii) **Evaluating the standards** : Controlling helps in judging the accuracy of the standards adopted by the management. A good controlling system enables the manager to check whether the set standards are accurate and feasible. It also

helps the organisation to review and revise the standards according to the changing business environment.

(iii) Optimum utilisation of resources : Continuous control and monitoring helps in the efficient and optimum utilisation of resources. As each work is done according to the set standards, there is less wastage of resources.

(iv) Employees' motivation : By exercising effective control, employees get to know well in advance about what is expected from them and the standards against which their performance will be assessed. This motivates them to achieve the assigned targets in a better way.

(v) Promoting coordination : Pre-determined standards provide a basis for better coordination for various activities. As the departments are made aware of their duties and tasks, controlling promotes coordination among them. Controlling provides unity of direction while ensuring that the organisational objectives are met. Thus, controlling is an important function performed by all the managers.

29. Explain any four functions of 'Financial-Market'. [6]

OR

Explain any four functions of 'Stock Exchange'.

Answer : The following are the three functions of financial market:

(i) Facilitates transfer of savings and alternatives for investment : A financial market acts as link between savers and investors. It provides a platform for the transfer of savings between them. It also provides savers with various alternatives for investment and thereby directs the funds to the most productive investment *i.e.*, project with positive net present value.

(ii) Establishes the price : Just as in the case of the price of a commodity, the price of a financial asset is established through the forces of demand and supply of funds and other macro factors like interest rate, inflation, government policy etc. A financial market provides a platform for the interaction of the demand for funds (represented by the business firms) and the supply of funds (represented by the households). Thereby, it helps in determining the price of the asset being traded.

(iii) Facilitates liquidity : An asset or a security can be easily purchased and sold in a financial market. This provides liquidity to assets.

(iv) Reduce the cost of transaction : It provides complete information regarding price,

availability and cost of various financial securities.

OR

The following are the four functions of a stock exchange :

(i) Provides liquidity and marketability : A stock exchange provides a continuous market for the sale and purchase of securities. Through a stock exchange, securities can be easily converted into cash when its required.

(ii) Helps to determine prices : A stock exchange helps in establishing the price of the monetary assets that are traded in the market. Similar for a commodity, the price of a financial asset is established through the forces of demand and supply for funds. In this regard, financial markets provide a platform for the interaction of the demand and supply of the funds. Thus, they help in determining the price of the asset being traded.

(iii) Ensures a fair and safe market : The stock exchange is a legal and well-regulated market. It trades within the defined and existing legal framework. Therefore, it ensures safety and fairness in transactions.

(iv) Facilitates economic growth : In a stock exchange, securities are continuously brought and sold. This continuous process of disinvestment and reinvestment helps channel savings and investments to the most productive use. It also increases the capital formation and economic growth.

30. Consumer products are classified on different basis. 'Shopping Efforts Involved' is one of them. Explain any three types of products in this category. [6]

OR

Choice of channels of distribution depends on various factors. Explain any four factors which affect the choice of channels of distribution.

Answer : On the basis of the 'shopping efforts' involved, consumer products can be classified in the following three categories:

(i) Convenience products : The term 'convenience products' refers to the products that are purchased frequently and are readily available in conveniently-located outlets in every neighbourhood.

The following are the characteristics of convenience products :

(a) They are easily available at conveniently located shops.

(b) They are consumed regularly and have a

continuous demand. Generally, essential commodities come under the category of convenience products.

- (c) They are available in small units with low and standardized prices.
- (d) They require heavy advertising as the competition in the market among various brands of convenience products is high.

(ii) Shopping products : The term 'shopping products' refers to the products that a consumer purchases after spending a considerable amount of time searching for and comparing the qualities, prices and suitability of comparable products.

The following are the characteristics of a shopping products :

- (a) They are durable and lasting and can be used repeatedly.
- (b) They generally have a high unit price and carry a high profit margin.
- (c) They are purchased by consumers after considerable planning; instances of impulsive buying are few.
- (d) They are bought by consumers after considerable persuasion by retailers.

(iii) Specialty products : Specialty products are the products with exclusive and special features, and it is because of these special features that the consumer makes special efforts to buy them.

The following are the characteristics of specialty products :

- (a) Their demand is limited as the number of buyers is relatively small.
- (b) Their unit price is very high.
- (c) They are generally available only at a very few places. The availability is limited because the number of consumer is small.
- (d) They generally require a great deal of promotion for spreading the marketing information about them.

OR

Choice of an appropriate channel of distribution is a very important marketing decision which depends on various factors. Factors which affect the choice of channel of distribution are given below :

(i) Characteristics of the company : The two important characteristics of a company that affect the choice of channel of distribution are its financial strength and the degree of control that the company wishes to have over the intermediaries. Shorter channels require greater funds than longer channels. It also offers greater control over the members of the channel (intermediaries). Thus, companies which are financially strong or wish to command greater control over the channel of distribution opt for shorter channels of distribution.

(ii) Competitive factors : The degree of competition and the channels chosen by other competitors affect the choice of distribution channel. Depending on its policies, a company may adopt a similar channel as adopted by its competitors or choose for a different channel. For example, if competitors of a company choose for sales through retail stores, it may also do the same or it can choose for a different channel such as direct sales.

(iii) Market factors : Many of the market factors that affect the choice of channels of distribution include size of the market, geographical concentration of the buyers and size of the purchase. For instance, in case of large markets where there are a large number of potential customers and potential buyers are located in a large geographical area, then a large number of intermediaries are required. Thus, in this case long channels of distribution are opted for rather than short ones. Similarly, if the product is purchased in large quantities, then the organisation can supply the product directly without the use of intermediaries. On the other hand, if small quantities of the product are purchased, the organisation may prefer the involvement of intermediaries such as retailers.

(iv) Environmental factor : Other important factors which affect the choice of channels of distribution is environmental factors such as trade policies, economic policy, etc.

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Business Studies 2012 (Delhi)

Set II

Time allowed : 3 hours

Maximum marks : 100

Note : Except for the following questions, all the remaining questions have been asked in previous set.

7. What is meant by 'Estimating man-power requirements' as a step in the process of 'Staffing' ? [1]

Answer : As a step in the process of Staffing, estimating manpower requirement means finding out number and type of employees needed by the organisation in near future.

8. State any one 'protective function' of Securities and Exchange Board of India (SEBI). [1]

Answer : One protective function of Securities and Exchange Board of India is to prohibit unfair trade practices such as, to prohibits misleading statements to cheat investors.

9. State any one function of Stock-Exchange. [1]

Answer : It provides liquidity and marketability to existing securities.

10. What is meant by 'Informal Communication' ? [1]

Answer : Informal Communication refers to interchange of information without following the formal line. It is based on informal relationship and arises as a result of personal, social or group relations.

16. Explain the following 'Rights of Consumers' : [4]

(a) Right to Safety

(b) Right to Consumer education

Answer: (a) Right to safety : It protects consumers against services and goods that are dangerous to health, property and life. For example, cooking gas cylinders or electrical appliances with manufacturing defects. The consumer has the right to be protected against such life-threatening products.

(b) Right to consumer education : Consumer education refers to educating the consumer constantly with regards to their rights. Its very important for the consumers to know their rights in order to save themselves from any sort of deception government and non-government organisations work actively in this regards and many programs are also conducted in this regard.

20. State any five features of 'Business Environment'.

[4]

Answer : Following are the features of business environment :

(i) **External forces :** Business environment includes all those forces which are available outside the business and over which the business has no control.

(ii) **Interrelated :** Different forces, acting in a business environment are closely related to each other. For example, an increase in the income of the consumers, increases the demand for consumer durables such as television, refrigerator, etc.

(iii) **Dynamic nature :** Business environment is dynamic in nature *i.e.*, it can be change as per the requirement. For example, consumer tastes and preferences, technology, government rules and policies keep changing continuously.

(iv) **Complex :** Business environment is the aggregate of different interrelated and dynamic forces. Thus, it becomes difficult and complex to understand and proper study is needed to understand the same. For example, all political, social, economic, technological and legal matters affect the performance of an organization simultaneously. While, it may be easy to understand the individual affects of these forces, their cumulative effect is quite difficult to understand.

(v) **Uncertainty :** It is very difficult to predict the changes of Business Environment. As environment is changing very fast for example in IT, fashion industry frequent and fast changes are taking place.

22. Give the meaning of Management and explain how it 'creates a dynamic Organization' and 'helps in the development of society'. [5]

Answer : Management comprises of planning, organizing, staffing, leading or directing, and controlling that coordinates the efforts of people to accomplish goals and objectives using available resources efficiently and effectively.

Management creates a dynamic organization : All organisations operate in a constantly changing environment. However, individuals in an organisation usually resist change. Management persuades people to adapt environmental changes so that the organisation can maintain its

competitive edge.

Management helps in the development of society :

Management helps to provide good quality products and services, creates employment opportunities, adopts new technology and leads the path towards growth and development.

24. State any three advantages and any two limitations of 'Planning'. [5]

Answer : The three Advantages of Planning :

(i) **Integrates management function :** Planning integrates management functions. It is the basis for other management functions. It is fundamental function which integrates other functions like organising, directing, coordinating and controlling. Without plan, no manager can function well.

(ii) **Provides direction :** Planning gives direction to the total activities of an organization. A plan focuses on the future white forces an organisation to think ahead and identify potential options, problems and solution. Planning directs all functions towards achieving goal.

(iii) **Better utilization of resources :** Planning facilitates in effective utilisation of resources. It helps in rational distribution of resources among different functions. It focuses on effective utilisation of resources, controls wastages and scraps.

The two Limitations of Planning are :

(i) **Rigidness :** Planning is rigid in nature. Once a plan regarding the objectives to be achieved and the course of action to be followed is formulated, the manager may not be able to change it. Such rigidity creates hurdles, particularly at times

of unforeseen changes. At times of unexpected changes, the managers may require a certain degree of flexibility so as to cope with the changes in an appropriate manner. Thus, rigidity in plans sometimes creates obstacles in the accomplishment of organisational objectives.

(ii) **Dynamic environment :** Business environment is dynamic and uncertain. Planning cannot foresee such changes; it may fail at times of changes and uncertainties. This may lead to failure in the accomplishment of objectives.

25. Explain 'Market planning' and 'Product Designing and Development' as a functions of Marketing. [5]

Answer : Market planning: Market planning is one of the basic functions of marketing. Marketers plan the various steps required to get the goals and objectives of marketing. In order to do so, they conduct a market research to analyse the requirements and preferences of the customers. Market research helps marketers to develop a most suitable plan, covering decisions related to the production of a product and its promotion to increase the number of customers.

Product designing and development : It is another function of marketing. The design of the product contributes to the target customers and also gives a competitive advantage in the market. It requires decision regarding the size, design, colour, weight, quality, and other features of product to meet the expectations of the customers.

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Business Studies 2012 (Delhi)

Set III

Time allowed : 3 hours

Maximum marks : 100

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

14. What is meant by 'Capital Structure' ? State any two factors which affect the capital structure of a company. [3]

Answer : Capital Structures : It refers to the composition of the long term funds for or organization the mix between owner's fund (equity) and the borrowed (debt) funds.

The following factors affect the capital Structure of a company :

(i) **Return on investment (ROI) :** It refers to the earning expected from the investment. If ROI of a company is higher than interest rate on debt, it can opt for trading on equity to increase earning per share (EPS).

(ii) **Tax rate :** A higher tax rate makes the debt cheaper because interest on debt is a deductible expenses from the profit to arrive at earning after

tax. For example, cost of debt is 12% and tax rate is 50%, then after tax, the cost of debt will be $12\% - (12\% \times 50\%) = 6\%$.

15. Why is training important for the employees ? State any three reasons. [3]

Answer : Training is important for employees because of following reasons :

(i) Increased earning : Training helps the employees to acquire the required skills and hence help them to earn more.

(ii) Safety of employees : Training makes employees more efficient to handle machine and hence reduces the chances of occurrence of accident.

(iii) Employment opportunities : Trained employees have better employment opportunities as compared to untrained employees.

16. What is meant by 'Divisional Structure' of organisation ? State its any three advantages. [4]

Answer : When a company expands to supply goods or services to a variety of customers, offers a variety of different products or are engaged in business in several different markets, the company could adopt a divisional organisational structure.

A divisional structure groups its divisions according to the specific demands of products, markets or customers. Unlike the functional organisational structure, where the different organisational functions of the company conduct activities satisfying all customers, markets and products, the divisional structure focuses on a higher degree of specialisation within a specific division, so that each division is given the resources, and autonomy, to swiftly react to changes in their specific business environment. Therefore, each division often has all the necessary resources and functions within it to satisfy the demands put on the division

Following are three of the advantages of a divisional structure :

(i) Managerial efficiency : Divisional structure provides numerous work opportunities to both managers and workers. Product specialisation which is undertaken under various divisions leads to the development of skills and knowledge of the working personnel. Similarly, the divisional head gains experience as he gets to deal with a vast variety of functions. This helps him to grow and become more proficient in his work. Thus, such a structure facilitates the development of both managers and workers.

(ii) Gauging performance : Under divisional

structure, each head is responsible for the profit and loss of his own division. This helps to clearly identify individual performances of each department. Once the head is accountable for the revenues and costs of his own department, it becomes easier to clearly gauge his actions. Accordingly, it also helps in taking the required corrective actions in case of poor performance.

(iii) Quick decision-making : The divisional managers can take any decision regarding his division independently without consulting other divisional managers. Hence, decisions are quick and effective.

22. Why is understanding of 'Business Environment' important for managers ? State any five points. [5]

Answer : Understanding of the business environment plays a vital role for managers. It helps a manager to take into account the various external forces that affect the business in a better manner and thereby improve overall efficiency. The following points clarify how understanding of Business Environment helps the managers :

(i) Identification of opportunities : A manager identifies the possible opportunities for the business. An early identification of the opportunities helps in taking first hand advantage in competition.

(ii) Identification of threats: It helps a manager to identify the threats or negative signals that may adversely affect its functioning. Thus, it enables managers to take appropriate preventive measures.

(iii) Accumulating useful resources : Environment gives an array of resources for operating a business like raw material, machinery and labour. On the contrary, companies give the environment output in the form of goods and services. Environment acts as a source of resources as well as a source of demand for the products of the companies.

(iv) Adjusting to changes : Business environment is dynamic in nature i.e. it can be changed as per the requirement. Changes in technology, consumers taste and preference, government policies take place continuously. A careful analysis and understanding of the environment helps a manager to deal with these changes in a better manner and to take appropriate actions.

(v) Formulating plans and policies : A continuous study of the business environment helps an Organization in the identification of opportunities and threats. This in turn guides the manager to formulate the suitable plans and policies in view of the current business circumstances.



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