

SOLVED PAPER with CBSE Marking Scheme	C.B.S.E. 2018 Class–XII Delhi/Outside Delhi	Business Studies
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Time : 3 Hours

Max. Marks : 80

General Instructions :

- (i) Answers to questions carrying 1 mark may be from **one word** to **one sentence**.
- (ii) Answers to questions carrying 3 marks may be from **50-75 words**.
- (iii) Answers to questions carrying 4-5 marks may be about **150 words**.
- (iv) Answers to questions carrying 6 marks may be about **200 words**.
- (v) Attempt all parts of a questions together.

1. Define 'Decentralisation'. 1
2. Give the meaning of 'Method' as a type of plan. 1
3. Saurabh decided to start a chocolates manufacturing business. He set the target of earning 10% profit on sales in the first year. As a good businessman, he was concerned about the future of the business, which was uncertain. He gathered information that the demand for chocolates is increasing day-by-day. He used this information as the base for future planning and shared it with his team. On the basis of the gathered information, he scheduled a meeting in the following week to find innovative ways to achieve the objectives.
List the first two steps, which have been followed by Saurabh that are related to the process of one of the functions of management. 1
4. In the paint industry, various raw materials are mixed in different proportions with petroleum for manufacturing different kinds of paints. One specific raw material is not readily and regularly available to the paint manufacturing companies. Bonler Paints Company is also facing this problem and because of this there is a time lag between placing the order and the actual receipt of the material. But, once it receives the raw materials, it takes less time in converting it into finished goods. Identify the factor affecting the working capital requirements of this industry. 1
5. An investor wanted to invest ₹ 20,000 in Treasury Bills for a period of 91 days. When he approached the Reserve Bank of India for this purpose, he came to know that it was not possible.
Identify the reason why the investor could not invest in the Treasury Bill. 1
6. Why is the understanding of 'Marketing Management Philosophies' important? 1
7. Give the constitution of the District Consumer Disputes Redressal Forum under the Consumer Protection Act, 1986. 1
8. 'Buy one get one free' is printed on the label of the package of a mosquito repellent.
State the labelling function being performed by this statement. 1
9. Differentiate between formal and informal organisations on the basis of (i) origin, (ii) authority, and (iii) flow of communication.
10. State the steps in the selection procedure, after the employment interview and before the job offer. 3
11. Sandhya is a successful manager at Manisons Enterprises. She has a team of twelve people working under her. She encourages them to set their own objectives and take decisions. She respects their opinions and supports

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them, so that they can perform their duties and accomplish organisational objectives. To manage and exercise effective control, she uses forces within the group.

As an intelligent manager, at times, she also makes use of positive aspects of informal communication. This way, she is able to unify diverse interests and ensure that targets are met.

(a) There are many theories and styles of influencing people's behaviour. Identify the style used by Sandhya which is based on the use of authority.

(b) State two positive aspects of the communication discussed above, which Sandhya is using as an intelligent manager. 3

12. The Return on Investment (ROI) of a company ranges between 10 – 12% for the past three years. To finance its future fixed capital needs, it has the following options for borrowing debt :

Option 'A' : Rate of interest 9%

Option 'B' : Rate of interest 13%

Which source of debt, 'Option A' or 'Option B', is better ? Give reason in support of your answer. Also state the concept being used in taking the decision. 3

13. Explain briefly any two points of importance of consumer protection from the point of view of business. 3

14. Aradhana and Gandharv are heads of two different departments in 'Yumco Ltd.' They are efficient managers and are able to motivate the employees of their respective departments to improve performance. However, their drive to excel in their own sphere of activity instead of giving emphasis on objectives of the enterprise has hindered the interaction between the departments that Aradhana and Gandharv are heading. Often there are inter-departmental conflicts and they have become incompatible. This has proved to be harmful in the fulfilment of the organisational objectives. The situation has deteriorated to such an extent that the CEO of 'Yumco Ltd.' has hired a consultant, Rashmi, to resolve the problem. After studying the situation closely, Rashmi found that the problem has arisen due to inflexibility and a narrow perspective on the part of both Aradhana and Gandharv. She is of the view that this situation is a result of the type of organisational structure 'Yumco Ltd.' has adopted.

From the above information, identify the organisational structure adopted by Tumco Ltd.' and state any three advantages of the structure so identified. 4

15. In 2015, Naveen left his luxurious life in Mumbai, where he worked as a manager for Blue Birds Ltd. He shifted to Begampur, Chhattisgarh to fulfil his grandmother's dream of converting their 25-acre ancestral land into a fertile farm. For this, he set out specific goals along with the activities to be performed to achieve the goals.

Every activity was a challenge since he was clueless about farming. He learnt every activity from tilling the land to sowing the seeds. To aid farmers, he launched his own company 'Innovative Agriculture Solutions Pvt. Ltd'.

It was difficult initially as no one trusted an urban youth telling farmers about farming. But when everything was discussed in detail, the farmers started taking interest. He wanted to ensure that the future events meet effectively the best interests of the company. Through sales forecasting, he prepared an annual plan for production and sales.

He also found that the farmers grew only paddy, which was an activity of 3-4 months and the land remained idle for the rest 8-9 months of the year. He not only identified but evaluated various alternatives through which the farms could be utilised for the remaining months of the year. Through correct foresight and logical and systematic thinking based on analysis of all facts, all alternatives were examined and evaluated. He presented a plan to the farmers, where after harvesting paddy, vegetables could be grown.

The above case highlights the features of one of the functions of management. By quoting lines from the above identify and explain these features. 4

16. Explain any four points of importance of the controlling function of management. 4

17. Ram Murthy, the CEO of 'Goodcare Hospitals', a leading chain of hospitals, decided to reward the good work of the doctors of his organisation. For this, he instituted two running trophies. A 'Healthcare Achiever's Trophy' to acknowledge and appreciate the tireless efforts of the doctors who rendered selfless services to the patients and another 'Beti Bachao Trophy' to recognise the outstanding work done by the doctors in saving the girl child.

The CEO also wanted to improve the health services in rural areas all over the country. He decided that all doctors must work in rural areas for at least six months. He also decided that the paramedical staff should be employed locally.

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- (a) Identify the incentive provided by 'Goodcare Hospitals' to its doctors through running trophies.
- (b) Which need of the doctors will be satisfied through the incentive identified in part (a) ? State.
- (c) State any two values that the CEO of 'Goodcare Hospitals' is trying to communicate to the society. 4
18. State the protective functions of Securities and Exchange Board of India. 4
19. Sumit purchased an ISI marked washing machine of a famous brand 'MG' from TG Electronics Ltd. The shopkeeper asked him to wait for two days for installation of the machine. His friend, Vivek, was very fond of experimenting with new electronic products. He told Sumit that there is no need to wait for the company's representative to install the machine and that he could do it. So, both of them installed the machine without following the manufacturer's instructions. Initially, the machine worked effectively and the wash was good. But after two days, the machine started stopping in between the wash cycle, Sumit and Vivek tried their best to start the machine but failed in their efforts. Sumit, therefore, approached TG Electronics Ltd., which refused to provide any service on the plea that the installation of the machine was not done by the company.
- (a) State the responsibility which Sumit had to fulfil as an aware consumer to get the services of the company,
- (b) Explain briefly any two rights which Sumit could have exercised "had he fulfilled his responsibility identified in part (a)". 4
20. What is meant by co-ordination ? State its any four features. 5
21. 'Konark Ltd.' is an electronic goods manufacturing enterprise situated in Shivpuri, Madhya Pradesh. It is earning a very low revenue in comparison to a competing electronic goods manufacturing enterprise, 'Nova Ltd.' situated in Mumbai. Both Konark's and Nova's operations are affected directly by the investors, customers, competitors and suppliers, which are unique to their respective locations. In addition to this, individual firms of this field are affected indirectly by the factors like the money supply in the economy, composition of the families, the technological changes, etc.
- (a) Identify and state the feature of the concept discussed in the above paragraph.
- (b) Also, state any four points of importance of this concept. 5
22. After acquiring the necessary knowledge and skills on starting an Alovera Farm, Ashok wanted to be the leading manufacturer of Alovera products worldwide. He observed that the products were expensive as the demand of the products was more than the supply. He was also keen to promote methods and practices that were economically viable, environmentally sound and at the same time protecting public health.
- Ashok's main consideration was about the amount of money paid by the consumers in consideration of the purchase of Alovera products. He also thought that competitors prices and their anticipated reactions must also be considered for this.
- After gathering and analysing information and doing correct marketing planning, he came to know that the consumers compare the value of a product to the value of money which they are required to pay. The consumers will be ready to buy a product when they perceived that the value of the product is at least equal to the value of money which they would pay.
- Since he was entering into a new market, he felt that he may not be able to cover all costs. He knew that in the long run, the business will not be able to survive unless all costs are covered in addition to a minimum profit.
- He examined the quality and features of the products of the competitors and the anticipated reactions of the consumers. Considering the same, he decided to add some unique features to the packaging and also decided to provide free home delivery of the products.
- The above case relates to a concept which is considered to be an effective competitive marketing weapon. In conditions of perfect competition, most of the firms compete with each other on this concept in the marketing of goods and services.
- (a) Identify the concept.
- (b) Explain briefly any four factors discussed in the above case related to the concept so identified. 5
23. Karan Nath took over 'D' north Motor Company' from his ailing father three months ago. In the past, the company was not performing well. Karan was determined to improve the company's performance. He observed that the methods of production as well as selection of employees in the company were not scientific.

He believed that there was only one best method to maximise efficiency. He also felt that once the method is developed, the workers of the company should be trained to learn that 'best method'.

He asked the Production Manager to develop the best method and carry out the necessary training. The Production Manager developed this method using several parameters right from deciding the sequence of operations, place for men, machines and raw materials till the delivery of the product to the customers. This method was implemented throughout the organisation. It helped in increasing the output, improving the quality and reducing the cost and wastage.

Identify and explain the principles and the technique of scientific management followed by the Production Manager in the above case. 6

24. 'Moga Industries Ltd.' approached a well established university in the city of Madurai to recruit qualified personnel for various technical and professional jobs. They selected Tanya, Ritu, Garima and Chetan for various vacancies in the organisation.

After the selection and placement, 'Moga Industries Ltd.' felt the need to increase the skills and abilities, and the development of positive attitude of the employees to perform their specific jobs better. The company also realised that learning new skills would improve the job performance of the employees. Hence, the company decided to take action for the same.

(a) Name the step of the staffing process regarding which the company decided to take action.

(b) State the benefits of the action to 'Moga Industries Ltd.'

6

25. Explain briefly any four factors affecting the fixed capital requirements of an organisation. 6

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CBSE Marking Scheme, 2018

(Issued by Board)

1. Decentralisation refers to systematic delegation of authority through all the levels of management and in all the departments except that which can be exercised only at central points. 1
2. Method is the prescribed way or manner in which a task has to be performed taking into consideration the objective of the organisation. 1
3. Two steps of Planning which have been followed by Saurabh are :
 - (i) Setting objectives. 1
 - (ii) Developing Premises. 1
4. Availability of Raw Materials/ Production Cycle/ Nature of business. 1
5. The investor could not invest in the Treasury Bills as they can be issued for a minimum amount of ₹ 25,000 and its multiples thereof. 1
6. Understanding of 'Marketing Management Philosophies' is important as it determines the emphasis or the weightage to be put on different factors, in achieving the organisational objectives. 1

OR

Understanding of 'Marketing Management Philosophies' is important to guide the marketing efforts of an organisation whether to emphasize on designing the features or selling techniques or on customers needs or the social concerns in achieving the objectives. 1

7. District Consumer Disputes Redressal Forum constitutes of one President and two other members, one of whom should be a woman. 1
8. Labelling function performed is :

'Helps in Promotion of products' as labelling plays an important role in sales promotional schemes launched by companies. 1
9. Difference between Formal and Informal organisation :

	Formal Organisation	Informal Organisation
(i) Origin	It is deliberately created through a well defined policy of management .	It arises as a result of social interaction among employees.
(ii) Authority	Authority arises on the basis of position of management.	Authority arises on the basis of personal qualities.
(iii) Flow of Communication	Communication takes place through scalar chain.	Communication does not take place through a planned route, it can take place in any direction.

3

10. Steps in the Selection procedure, after the employment interview and before the job offer are :
 - (i) **Reference and background** checks for the purpose of verifying the information and gaining additional information.

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(ii) **Selection decision** from among the candidates who pass the tests, interviews and reference checks.

(iii) **Medical Examination** which includes a medical fitness test which the candidate is required to undergo.

(½ mark should be deducted if the sequence is not followed) 3

11. (i) Democratic style.

(ii) Two positive aspects of communication which Sandhya is using as an intelligent manager are:

(a) It carries information rapidly and therefore may be useful to the manager at times.

(b) It is used by the manager to transmit information so as to know the reaction of his/ her subordinates. 3

12. Option 'A' is better.

This is because in this option, Return on Investment (10-12%) is higher than the Rate of interest (9%).

The concept being used in taking the decision is Trading on Equity.

Trading on equity refers to the use of fixed cost sources of finance such as preference shares, debentures and long term loans in the capital structure so as to increase the return on equity shares. 3

13. **Importance of Consumer protection from the point of view of business :**

(Any two)

(i) Long-term interests of business.

(ii) Business uses society's resources.

(iii) Social Responsibility.

(iv) Moral Justification.

(v) Government Intervention.

(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)

[CBSE Marking Scheme, 2018] $1\frac{1}{2} \times 2 = 3$

Detailed Answer :

Two points of importance of consumer protection from the point of view of business.

(i) **Long term interest of the business :** In the competitive environment, the businessman can win and capture a big share in the market only through consumer satisfaction. Those who ignore the interest and satisfaction of consumers may lose their goodwill and clients.

(ii) **Social Responsibility :** Just like other stakeholders, towards consumers also, businessmen have got social responsibility to provide quality goods at reasonable price. Consumer protection guides businessmen to fulfill social responsibility towards consumers.

(iii) **Government Intervention :** If businessmen want to avoid intervention of Government then they should not involve in unfair trade practices and exploitative practices towards consumers. (Any two) $1\frac{1}{2} \times 2 = 3$

14. Functional Structure is the organisational structure adopted by 'Yumco Ltd.'.

Advantages of Functional Structure :

(Any three)

(i) It leads to occupational specialisation since emphasis is placed on specific functions.

(ii) It promotes control and coordination within a department because of similarity in the tasks being performed.

(iii) It increases managerial and operational efficiency.

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- (iv) It lowers cost as it reduces duplication of effort.
- (v) It makes training of employees easier as it focuses on a limited range of skills.
- (vi) It ensures that different functions get due attention.

(If an examinee has given only the heading, ½ mark for each heading should be awarded)

1 + 3 = 4

15. Features of planning are :

(i) Planning focuses on achieving objectives

'He set out specific goals along with the activities to be performed to achieve the goals'

Planning focuses on achieving objectives as specific goals set out in the plans along with activities to be undertaken to achieve the goals.

(ii) Planning is futuristic

'He wanted to ensure that the future events meet effectively the best interests of the company'.

OR

'Through sales forecasting, he prepared an annual plan for production and sales'

Planning is futuristic as it involves looking ahead and preparing for the future.

(iii) Planning involves decision making

'He not only identified but evaluated various alternatives through which the farms could be utilised for the remaining months of the year'.

OR

'.... all alternatives were examined and evaluated'

Planning involves decision making as it involves a choice from among the various alternative courses of action.

(iv) Planning is a mental exercise

'Through correct foresight and logical and systematic thinking based on analysis of all facts...'

Planning is a mental exercise as it is intellectual activity of thinking rather than doing.

1 × 4 = 4

16. Importance of controlling :

(Any four)

- (i) Accomplishing organisational goals.
- (ii) Making efficient use of resources.
- (iii) Ensuring order and discipline.
- (iv) Improving employee motivation.
- (v) Judging accuracy of standards.
- (vi) Facilitating co-ordination in action.

(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)

[CBSE Marking Scheme, 2018] 1 × 4 = 4

Detailed Answer :**Importance of controlling :**

- (i) **Accomplishing organisational goals :** The controlling function measures progress towards the organisational goals and brings to light the deviations, if any, and indicates corrective action. It thus, guides the organisation and keeps it on the right track so that organisational goals might be achieved.
- (ii) **Judging accuracy of standards :** A good control system enables management to verify whether the standards set are accurate and objective. An efficient control system keeps a careful check on the changes taking place in the organisation and in the environment and helps to review and revise the standards in light of such changes.
- (iii) **Making efficient use of resources :** By exercising control, a manager seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with predetermined standards and norms. This ensures that resources are used in the most effective and efficient manner.
- (iv) **Improving employee motivation :** A good control system ensures that employees know well in advance what they are expected to do and what are the standards of performance on the basis of which they will be appraised. It thus, motivates them and helps them to give better performance.
- (v) **Ensuring order and discipline :** Controlling creates an atmosphere of order and discipline in the organisation and helps to minimise dishonest behaviour on the part of the employees by keeping a close check on their activities.
- (vi) **Facilitating coordination in action :** Controlling provides direction to all activities and efforts for achieving organisational goals. Each department and employee is governed by predetermined standards which are coordinated with one another. This ensures that overall organisational objectives are achieved.

(Any four) 1 × 4**17. (i) Employee Recognition**

(If an examinee has written 'Non Financial incentive' instead of 'Employee Recognition', ONLY ½ mark to be awarded)

(ii) Esteem Needs

These include factors/needs such as self respect, autonomy status, recognition and attention.

(iii) Values that the CEO of 'Goodcare Hospitals' is trying to communicate to the society are : (Any two)

- (a) Concern for health.
- (b) Concern for Hygiene.
- (c) Creation of employment opportunities.
- (d) Good behaviour in human interaction.
- (e) Fulfilling Social responsibility.
- (f) Development of rural areas/ Balanced regional development.
- (g) Saving the girl child/ Women Empowerment.

(or Any other correct value) 1 × 4 = 4**18. Protective functions of SEBI :**

- (i) It prohibits fraudulent and unfair trade practices like misleading statements, manipulations, price rigging etc.
- (ii) It controls insider trading and imposes penalties for such practices.

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(iii) It undertakes steps for investor protection.

(iv) It promotes fair practices and code of conduct in securities market.

(If an examinee has given only the headings, $\frac{1}{2}$ mark for each heading should be awarded) $1 \times 4 = 4$

19. (i) **Responsibility which Sumit has to fulfill as an aware consumer to get the services of the company :**

Learn about the risks associated with products and services, follow manufacturer's instructions and use the products safely.

(ii) Two rights which Sumit could have exercised had he fulfilled his responsibility:

(a) **Right to be heard :**

- The consumer has right to file a complaint and to be heard in case of dissatisfaction with a product or a service.
- It is because of this reason many firms have set up their own consumer service and grievance cells.

(b) **Right to seek redressal :**

- The consumer has a right to get relief in case the product or service falls short of his expectations.
- The Consumer Protection Act, 1986 provides reliefs to consumers such as replacement of product, removal of defect in the product, compensation for any loss or injury suffered by the consumer.

20. Co-ordination is the process by which a manager synchronises the activities of different departments towards the achievement of a common goal.

Features of co-ordination :

(Any four)

- (i) It integrates group efforts by unifying diverse interests into purposeful work activity
- (ii) It ensures unity of action by acting as a binding force between departments and ensuring that all action is aimed at achieving the goals of the organisation.
- (iii) It is a continuous process as it starts at the planning stage and continues till controlling.
- (iv) It is a pervasive function as it is required in all types of organisations, in all the departments and at all levels.
- (v) It is the responsibility of all managers at the top, middle and lower level.
- (vi) It is a deliberate function as every manager has to co-ordinate the efforts of different people in a conscious and deliberate manner.

(If an examinee has given only the headings, $\frac{1}{2}$ mark for each heading should be awarded)

[CBSE Marking Scheme, 2018] $1 + 4 = 5$

Detailed Answer :

"Coordination is an orderly arrangement of group efforts to provide unity of actions to pursue a common purposes".

Four characteristics of co-ordination are as follows :

(Any four)

- (i) **Coordination integrates group efforts :** The need for co-ordination is felt when group effort is needed for the accomplishment of the objectives. In short, it can be said that co-ordination is related to group and not to individual efforts. The question of coordination does not arise if the entire job is done by a single person only.

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- (ii) **Co-ordination ensures unity of action :** The nature of coordination is of creating unity of action. It means that by using co-ordination process, an effort is made to create unity among the various activities of an organisation, e.g., the purchase and sales departments have to coordinate their efforts so that the supply of goods takes place according to purchase order.
- (iii) **Co-ordination is a continuous process :** It is not a job which can be performed once and for all, but its need is felt at every step. Many activities are performed in a business today and tomorrow. If any one activity goes on fluctuating either for more or less than required, the balance of the whole organisation disturbs. Thus, a close watch has to be kept on all the activities to maintain the balance.
- (iv) **Co-ordination is all pervasive function :** Co-ordination is required in all the organisations in all the departments, by all the levels of management and at all the times. In other words, pervasiveness means applicability to all spheres and places uniformly.
- (v) **Deliberate or Conscious activity :** Co-ordination is a consciously planned managerial activity. Every manager has to take deliberate actions to achieve co-ordination. In other words, co-ordination does not occur automatically, adequate measures have to be taken to achieve co-ordination. 1 + 4 = 5

21. (i) **Specific and General Forces**

Business Environment includes both specific and general forces.

Specific forces affect individual enterprises directly and immediately in their day-to-day working. General forces have impact on all business enterprises and thus may affect an individual firm only indirectly.

- (ii) **Importance of business environment :** (Any four)
 - (a) It helps to identify opportunities and getting the first mover advantage instead of losing them to the competitors.
 - (b) It helps to identify threats on time which serves as an early warning signal.
 - (c) It helps in tapping useful resources so that it can convert them into output that the environment desires.
 - (d) It helps in coping with rapid changes in an increasingly dynamic environment.
 - (e) It helps in assisting in planning and policy formulation.
 - (f) It helps in improving performance by continuously monitoring the environment and adopting suitable practices.

(If an examinee has given only the headings, $\frac{1}{2}$ mark for each heading should be awarded) 1 + 4 = 5

22. (i) **Price/ Pricing**

- (ii) **Factors discussed in the above case are : (Any four)**

- (a) Product Cost
- (b) Utility and Demand
- (c) Extent of competition
- (d) Marketing methods used
- (e) Pricing objectives

[CBSE Marking Scheme, 2018] 1 + 4 = 5

Detailed Answer :

22. (i) The concept of Marketing used above is 'PRICE MIX'.

(ii) Four factors affecting price determination are :

- (a) **Production cost** : The price should recover all costs viz. fixed costs, variable costs and semi variable costs apart from obviously including a fair return for undertaking the marketing effort and risk.
- (b) **Utility and demand** : While determining the price of any product, the utility provided by it and the intensity of demand should not be ignored. If buyer is satisfied that the given product meets his/her requirement, he would also be ready to pay the cost and reasonable margin to the producer.
- (c) **Extent of competition in the market** : In case of monopoly, a firm can enjoy complete freedom in fixing prices. However, if it is facing competition, it should consider the prices charged by the competitors also.
- (d) **Marketing methods used** : Pricing of products also gets affected by the elements of marketing such as amount spent on advertisement, type of packaging, discounting policies, credit or finance facilities, etc.

23. Principles of management followed in the above case :

(i) **Science not rule of thumb**

- It states that there was only one best method to maximise efficiency.
- This method can be developed through scientific study and analysis of each element of a job and should substitute 'Rule of Thumb'.
- This standard method then should be followed throughout the organisation.

(ii) **Development of each and every person to his greatest efficiency and prosperity**

- This principle is concerned with efficiency of employees which could be built in right from the process of employee selection.
- The work assigned to employees should suit their capabilities. They should be given the required training to increase their efficiency.
- Efficient employees would produce more and earn more. This will ensure their greatest efficiency and prosperity for both the company and the workers.

Technique of scientific management followed in the above case :

(i) **Method Study**

- It is a study to find out one best way of doing the job.
- It helps to minimize the cost of production, improve the quality and maximize satisfaction of the customer.
- It includes all activities from procurement of raw materials till the final product is delivered to the customer.

24. (i) **Training and Development.**

(If an examinee has written 'Training' instead of 'Training and Development', ONLY ½ mark to be awarded)

(ii) **Benefits of training to 'Moga Industries Ltd.'** :

- (a) It avoids wastage of efforts and money as training is systematic learning, better than hit and trial methods.

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- (b) It enhances employee productivity both in terms of quantity and quality leading to higher profits.
- (c) It equips the future manager to take over in an emergency.
- (d) It reduces employees' turnover as it increases employee morale and reduces absenteeism.
- (e) It helps in obtaining effective response in a fast changing environment

(If an examinee has given only the headings, ½ mark for each heading should be awarded)

[CBSE Marking Scheme, 2018] 1 + 5 = 6

Detailed Answer :

- (i) Training and Development.
- (ii) Benefits of Training to 'Moga Industries Ltd are' :
 - (a) **Systematic learning process** : In the absence of training proper, employees use hit and trial methods to perform the tasks assigned to them which lead to wastage of resources and efforts. With the help of training, employees learn the systematic way of doing specific jobs.
 - (b) **Enhances productivity** : Systematic processes help employees to perform tasks efficiently and effectively leading to increased productivity and improved performance.
 - (c) **Develops future managers** : Training improves managerial skills amongst employees, enabling them to manage enterprise in case of emergency.
 - (d) **Reduces absenteeism and employee turnover** : With effective training, employees are able to improve their performance which results in increasing their confidence and job satisfaction. This not only helps in reducing their absenteeism but also brings stability leading to reduced turnover.
 - (e) **Adapting to changing environment** : Training programmes aim to upgrade employees' knowledge and skills enabling them to respond positively to the economic and technological changes in the business environment.

25. Factors affecting fixed capital requirements of a company :

(Any four)

- (i) Nature of business.
- (ii) Scale of operations.
- (iii) Choice of technique.
- (iv) Growth prospects.
- (v) Technology upgradation.
- (vi) Diversification.
- (vii) Financing alternatives.
- (viii) Level of collaboration.

(If an examinee has not given the headings as above but has given the correct explanations, full credit should be given)

[CBSE Marking Scheme, 2018] 1 + 4 = 5

Detailed Answer :

Factors affecting fixed capital requirements of a company :

- (i) **Nature of business** : A manufacturing concern requires more fixed capital to purchase fixed assets. For example, plant and machinery, etc. as compared to a trading concern.

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- (ii) **Scale of operations** : A larger organisation operating at a higher scale needs bigger plant, more space, etc., and therefore requires more fixed capital as compared to the smaller organisations.
- (iii) **Choice of technique** : The business organisations using capital intensive techniques require more fixed capital whereas companies using labour-intensive techniques require less capital.
- (iv) **Technology upgradation** : Industries in which technology upgradation is fast need more amount of fixed capital as when new technology is invented, old machines become obsolete and they need to buy new plants and machinery whereas companies where technological upgradation is slow they require less fixed capital as they can manage with old machines.
- (v) **Growth prospects** : Companies which are expanding and have high growth plan require more fixed capital, to invest in more plant and machinery and other fixed assets in comparison to the companies having slow growth track or less growth prospects.
- (vi) **Diversification** : Companies which have plans to diversify their business activities by including more range of products require more fixed capital. For producing more products they require more plants and machinery which means more fixed capital is required in comparison to the companies having no diversification plans.
- (vii) **Level of Collaboration** : If companies are preferring collaborations, joint ventures then companies will need less fixed capital as they can share plant and machinery with their collaborations but if company prefers to operate as independent unit then there is more requirement of fixed capital.
- (viii) **Financing alternatives** : Availability of leasing facility reduces the requirement of fixed capital to be invested in outright purchase of the fixed asset.

(Any four) $\frac{1}{2} \times 4 = 6$

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