



B.K. BIRLA CENTRE FOR EDUCATION

SARALA BIRLA GROUP OF SCHOOLS
A CBSE DAY-CUM-BOYS' RESIDENTIAL SCHOOL



PRE-BOARD 3 EXAMINATION, 2025-26 BUSINESS STUDIES - 054 SET A - MS

Class: XII

Date: 12/01/2026

Admission no:

Time: 3 Hrs.

Max Marks: 80

Roll no:

| | | |
|-----|--|---|
| 1 | Social objective. | 1 |
| 2 | (a) Social dimension and Legal dimension | 1 |
| 3 | d) iv, ii, iii. i | 1 |
| 4 | (c) May lead to occupational specilisation. | 1 |
| 5 | (a) Both (A) and (R) are true, and (R) is the correct explanation of (A). | 1 |
| 6 | (d) Campus recruitment | 1 |
| 7 | (a) People's behaviour is not based on their needs | 1 |
| 8. | (a) Both (A) and (R) are true, and (R) is the correct explanation of (A). | 1 |
| 9 | (a) Statement I is true and Statement II is false. | 1 |
| 10 | (a) Financing, Dividend | 1 |
| 11 | (a) Both (A) and (R) are true, and (R) is the correct explanation of (A). | 1 |
| 12 | (a) The rate of return on investment is less than the cost of debt | 1 |
| 13 | (a) When the rate of return on investment is higher than the rate of interest | 1 |
| 14. | (d) Placing an order, Opening a trading account and Demat account, Execution of order, Settlement of order | 1 |
| 15. | (b) Labelling | 1 |
| 16 | (c) It refers to the set of actual and potential buyers for a product | 1 |
| 17 | (c) 30 days | 1 |

| | | |
|----|---|---|
| 18 | (c) Right to seek redressal | 1 |
| 19 | (a) The consumer | 1 |
| 20 | (d) All of the above | 1 |
| 21 | The business environment highlighted are: | 3 |

1. Technological dimension: 'It works towards developing a framework of virtual repository of learning resources with a single-window search facility.'
2. Social dimension: 'It provides support to all academic levels including researchers, life-long learners and differently-abled learners free of cost.'

OR

1: Identification of External Forces Managers must identify external forces such as market trends, consumer preferences, and competitive dynamics. In the case of 'Burgers and Fudge', failure to recognize the growing popularity of multinational fast food chains like McDonald's and Pizza Hut led to a decline in their market share.

2: Adaptation and Innovation Understanding the business environment allows managers to adapt and innovate. By staying informed about industry trends and consumer needs, managers can implement changes to meet these demands. For instance, if 'Burgers and Fudge' had recognized the shift towards global fast food preferences, they might have adapted their menu or marketing strategies to remain competitive.

Understanding the business environment is crucial for managers as it enables them to identify external forces and adapt their strategies accordingly. This proactive approach helps in maintaining competitiveness and sustainability in the market.

| | | |
|----|---|---|
| 22 | 1) Identify the Function of Management Kamal is preparing forecasts and thinking in advance to reduce risk and achieve targets, which indicates he is performing the function of Planning . | 3 |
|----|---|---|

2) Importance of Planning Function

Reduces Uncertainty: Planning helps in anticipating future uncertainties and prepares the organization to handle them effectively.

Achieves Targets: By setting clear objectives and strategies, planning ensures that the organization moves towards its goals efficiently.

OR

a) Planning -It involves setting objective and developing appropriate courses of action to

achieve these objectives. Dreams (e.g. increase sales, earn more profits, etc.) can be turned into reality only if business managers think in advance on what to do and how to do it.

(b) Business environment is dynamic as it keeps on changing

| | | |
|----|--|---|
| 23 | a) Informal organisation allows the organisation to flow in all directions. | 3 |
| | b) Another advantage is it allows the employees to feel sociable, interactive and competitive which involves better employee engagement and work culture. All these factors results in better productivity for the organisation by employees. | |
| | c) Stello ltd – wanted to communicate two values: | |
| | i) Socially responsible corporation | |
| | ii) employee centric organisation | |
| 24 | (a) The product related decision because of which consumers preferred the products of ABC Crackers Ltd. is 'BRANDING'. If products are sold by generic names, it would be very difficult for the marketers to distinguish their products from that of their competitors. Thus, most marketers give a name to their product which helps in identifying and distinguishing their products from the competitor's product. This process of giving an exclusive name or a sign or a symbol to a product is called Branding. | 3 |
| | (b) Two values communicated to society by ABC Crackers Ltd. are: | |
| | (i) Generation of employment opportunities for villagers, thus removing unemployment. | |
| | (ii) Caring attitude of management towards employees, producing and supplying quality products to consumers so that they have maximum satisfaction. | |
| | (iii) Fulfilment of social responsibilities. | |
| 25 | The principle of management which was violated by Mr. Rathore is 'Subordination of individual interest to general interest'. According to this principle, organisational goals should have priority over the personal interests of any individual. The individuals of an organisation should make sure that their personal interests do not affect the organisational interests in any manner. The positive impacts of following the above principle are: | 4 |
| | <ul style="list-style-type: none">• Increased productivity• Harmonious work culture | |

- Sense of belongingness to the organisation among employees
- Achievement of organisational goals

26 Objective It refers to the desired future positions that an organisation seeks to reach. It is usually framed by the top management. They are the end results of managerial activities, set in specific, quantitative terms for all the departments and units of the organisation, e.g. to achieve 10% increase in sales in the next quarter.

Policy It is a general statement that defines the boundaries within which the decisions are made. It helps in solving recurring problems easily, e.g. sale on cash basis only.

4

OR

Planning is a choice-making activity because it involves setting up objectives and deciding the appropriate course of action to achieve the objective. It must be remembered that plans are always developed for a given period.

Setting Objectives: The idea behind planning is to achieve desired objectives. Therefore, the first step is to clearly define and describe the objectives of the organization. Firstly, the major objectives should be specified, and then they should be broken down into individual, sectional and departmental objectives. Objectives serve as guidelines for discussion-making in terms of resource allocation. Work schedule, nature of actions, etc., are kept in mind while setting objectives. All efforts must be made to anticipate the problems and relevant opportunities that are likely to arise in the future.

Developing Planning Premises: The next step in planning is to establish premises. Planning premises are the anticipated environment in which the plans are expected to operate. These include assumptions and forecasts in the future and knowing conditions that will affect the course of the plan. In short, these provide the environment and the boundaries within which the plans will be executed. Planning premises may be classified as internal and external premises, controllable, semi-controllable, and uncontrollable premises, tangible and intangible premises, and the last foreseeable and unenforceable premises.

Identifying alternative courses of action: After setting the objectives and making assumptions about the future. The next step is to determine alternative courses of action through which the organization can achieve its objectives. In order to identify the various alternative courses of action, it is required to collect all necessary information from primary and secondary sources. The information collected must be correct and believable. The only information which is directly and strategically related to the achievement of the desired objective should be considered. For every plan, there are several options. All the alternative courses of action should be identified.

Evaluating alternative courses: After identifying different alternatives the next step is to evaluate each alternative. Evaluation means the study of the performance of various actions. All the possible alternatives should be evaluated keeping in mind their expected cost and benefit to the organization. Comparison among the alternatives should be made in terms of factors, such as the risk involved, planning premises, goals to be achieved, etc. The positive and negative points of each alternative must be thoroughly examined, and thereafter planner should make a choice.

Selecting an alternative: After evaluating various alternatives, the next step is to select the most suitable force of action. The basic, detailed, and derivative plans, such as policies, rules, programs, and budgets should be formulated. This is because the derivative plans help in the implementation of the basic plans. Most of the plans may not always be subjected to mathematical analysis. In these cases, the subject and the management experience, judgment, and at times institute play an important role in setting the most suitable alternative. Many times combination of plans is also selected instead of selecting one best course.

Implementing the plan: This step is concerned with transforming the plan into action. The plan must be communicated to the employees in detail. This, in turn, will help to secure cooperation from them. Useful suggestions from employees must be considered, and they should be motivated to execute the plan to the fullest of their abilities. The plan has to be effectively implemented by the real executor. This step would also involve organizing labour and purchasing machinery.

Follow-up- action: After implementing the plan, the last step is to periodically review the existing plan to ensure that the plan is effective. The plan must be consistently monitored, and in case of any deficiency, it should be modified and adjusted.

27 1. 'Huma is working in a company on a permanent basis'. According to above line Huma 4 is able to fulfil her following needs:

a. Physiological needs

b. Safety or Security needs

2. Needs of Huma which still remained to be satisfied are:

a. Affiliation Need: It refers to the need for affection, sense to belongingness, acceptance and friendship.

b. Esteem Need: It refers to the need for self-respect, autonomy, status, recognition and attention.

28 The type of the incentive offered to the employees is Job Security. It is one of the non-financial motivators: 4

a. Job Security: Job security is an important non-monetary motivator. Security of job means a feeling of permanence and stability. For example, if an employee has a sense of fear or insecurity in his mind, that he can be removed from his job any time, he will never work wholeheartedly and this worry continues troubling him. On the other hand, if he has a feeling that his job is secure and permanent and he cannot be removed from his job easily, he will work without any worry and with an easy mind. Consequently, his

efficiency increases. This is the reason why people prefer a permanent job with less salary to a temporary job with more salary.

b. Employee Participation: Employees get encouraged to notice their participation in managerial works. Therefore, they offer their full cooperation in making successful the policies prepared with their help.

OR

Various types of non-financial incentives are as follows:

(i) Job security Generally, workers prefer security of job. It is an assurance by the employer that the worker will continue in the employment. It eliminates uncertainty about the earnings and job and have a positive impact on the efficiency.

(ii) Participation in management's decisions The active participation of workers and their representatives in decision-making helps in securing cooperation and commitment of workers towards organisational goals.

(iii) Employee recognition It is one of the most important motivator. It helps in improving the attitudes of employees and at the same time, motivates them to put their best efforts. Efficiency and innovations of the workers should be recognised and praised. Recognition can be given by appreciating the work, installing awards and certificates, display of achievements on the notice board, etc.

(iv) Job enrichment Assignment of challenging Jobs is a significant non-financial incentive. Assignment of challenging work to subordinates provide opportunities for maximum development and helps them to reach upto the point of self-realisation.

(v) Status In the organisation context, status means ranking of positions in the organisation. The status of a person is reflected in his authority, responsibility, prerequisites and recognition. Psychological, social and esteem needs of an individual are satisfied by status.

29 (a) The management function is controlling.

"Comparing actual performance with standards is the step involved in the process of controlling which helped in finding out that the actual production of a worker is less than the set target.

(b) A manager has to take the following two further steps to complete the process of controlling.

(i) Analysing deviations

(ii) Taking corrective action (Give explanation of these steps).

4

30 Earnings per share = \square 35 4

EPS = Earning after tax / No.of equity shares

35= Earning after tax / 70,000

Earning after tax = \square 24,50,000

Interest= 50,00,000 x7/100 = \square . 3,50,0000

Let the Earning before tax (EBT) = x

EBT- Tax= EAT

$X-0.30 x= 24,50,000$ $0.70 x = 24,50,000$ $x= 24,50,000/0.70$ $x= 35,00,000$

Earning before tax = \square . 35,00,000

EBIT = Earning before tax + Interest = 35,00,000 + 3,50,000 = \square . 38,50,000

ROI= EBIT/total Investment $\times 100$ = 38,50,000 / 1,20,00,000 $\times 100$ = 32.08%

As ROI (32.08%) > Rate of interest (7%).

The company can choose to use trading on equity to increase its EPS. The finance manager was justified in making this recommendation.

31 Techniques of Scientific Management: 6

Time Study

Fatigue Study

Principles of General Management:

Equity

Fair Remuneration

32 Decentralisation refers to the systematic delegation and dispersal of decision-making authority to lower levels of management. It is considered an optional policy because management can decide the extent to which authority is delegated. 6

An organisation may choose to be decentralised for the following reasons:

1. Relief to top management

Decentralisation reduces the workload of top executives, allowing them to focus on important strategic decisions.

2. **Quick decision-making**

Decisions are taken at lower levels where problems arise, leading to faster responses to changes in the business environment.

3. **Managerial development**

Lower-level managers gain experience in decision-making, preparing them for higher responsibilities in the future.

4. **Motivation of employees**

When employees are given authority and responsibility, they feel motivated and committed to organisational goals.

5. **Better control and supervision**

Managers are responsible for their own departments, which improves efficiency and accountability.

6. **Effective utilisation of resources**

Local managers understand ground-level conditions better, leading to optimum use of resources.

OR

Functional Structure

A functional structure is an organisational structure in which activities are grouped according to functions such as production, marketing, finance, and human resources.

Advantages of Functional Structure

1. **Specialisation**

Employees focus on a single function, which improves efficiency and expertise.

2. **Economies of scale**

Large-scale operations within each department reduce costs.

3. **Clear authority and responsibility**

Each department has a functional head, ensuring better supervision.

4. **Simplified training**

Employees are trained in specific functional skills, making training easier.

Limitations of Functional Structure

1. **Lack of coordination**

Different departments may focus on their own goals rather than organisational objectives.

2. **Slow decision-making**

Decisions often require approval from multiple departments, causing delays.

3. **Restricted growth of managers**

Managers gain experience only in their own functions, limiting overall development.

4. **Not suitable for large organisations**

As the organisation grows and diversifies, functional structure becomes less effective.

| | | |
|----|---|---|
| 33 | <p>(a) Investment decision</p> <ul style="list-style-type: none"> * capital budgeting decisions or long term investment decisions * Working capital decisions or short term investment decisions <p>(b) Two factors:</p> <ul style="list-style-type: none"> * Cash flow of the project * Investment criteria involved <p>(Explain all the points)</p> | 6 |
| 34 | <p>A good brand name consists of the following characteristics.</p> <ol style="list-style-type: none"> i) The name should be short and easy to spell, pronounce and remember. For example, Ponds, Rin. ii) A brand should suggest the benefits or qualities of the product and also suit its functions. For example, Boost, Fair & Lovely. iii) The name should be unique as well as adaptable to packaging and labelling requirements. It should also be adaptable to different mediums of advertising and languages. iv) A brand name should be versatile and should be able to adapt to the new products if introduced under the brand. v) It must be distinctive and capable of being legally protected. | 6 |

OR

Price refers to the money paid by the customers to obtain a product and this price affects its demand. Thereby, pricing plays an important role in the marketing of goods. The price charged by a firm for its product affects its revenue and profits as well. In addition to this, pricing also acts as a competitive tool. Firms producing similar substitutable products compete with each other on the basis of price. Thus, the firms must pay due emphasis on proper pricing of their products. The marketers must analyse properly the various factors that determine the price and decide a suitable price for the product.

The following are the factors that affect the determination of the price of a product or a service.

1. Cost of Product: Cost of the product plays an important role in determining the price. It comprises of cost involved in production, distribution and sale of the product. Cost of product can be classified into three broad categories, namely, fixed cost, variable cost and semi variable cost. Fixed cost refers to those cost that do not vary with the level of output produced. For example, for the production of a good, a firm incurs cost on the purchase of machinery, land, etc. Such costs are fixed cost. On the other hand, variable cost refers to those costs that vary in direct proportion with the volume of production. That is, as the level of output increases, the variable cost also increase. For example, the cost incurred on labour, raw material, etc. are variable cost. Semi variable cost refers to those costs that vary with the level of output but not in direct proportion. For example, commission paid to intermediaries for the sale of good is a semi-variable cost.

Generally, the firms decide the price of a product such that they are able to cover all their cost. In addition, they also aim at earning some profit over and above the cost incurred by them. Thus, the firms decide upon the price keeping in consideration the cost as well as

the profit factor.

2. Demand for the Product: While determining the price, a firm must also consider the demand for its product. Herein, the elasticity of demand plays an important role. Elasticity of demand refers to the proportionate change in demand due to a given proportionate change in price. If due to small proportionate a change in price, the demand changes by a larger proportion, the demand is said to be elastic. That is, demand is said to be elastic, if a small rise (or, fall) in price leads to a relatively large fall (or, rise) in price. In this case, the firm cannot charge a higher price as it would lead to a large fall in the demand. On the other hand, demand is said to be inelastic, if a change in price does not affect the demand much. In this case, the firm has the privilege of charging a higher price, as even at a higher price, the demand would not fall much. Thus, price for goods having elastic demand is generally lower than price for goods having inelastic demand.

3. Degree of Competition in the Market: Generally, higher the competition in the market, the lower is the price that a firm can charge for its product. This is because in case of high competition, if a firm attempts to charge a high price, it would lose its customers to the competitors. On the other hand, if a firm faces very little competition for its product then it has the freedom of charging a higher price.

4. Government Regulations: At times to protect the interest of public at large, the government intervenes in the determination of price. For example, in case of essential commodities, the government can declare a maximum price that can be charged.

5. Objectives of Pricing: Every firm has various pricing objectives which it considers while deciding a price. The following are some of the objectives of pricing.

i. Profit Maximisation: Every firm aims at profit maximisation. However, if the firm aims at maximising profits only in the short run, then it may decide to charge a higher price and increase its revenue. On the other hand, if the firm aims to maximise profit in the long run, it would charge a lower price so as to acquire a greater share of the market and benefit from larger sales.

ii. Acquiring Market Share: If a firm desires to capture a greater market share, it would charge a lower price so as to attract a greater number of customers towards its product.

iii. Surviving Competition: In face of high competition, a firm would keep the price for its product lower. This is because if it charges a higher price, it would lose its customers to the competitors.

iv. Focus on Quality: If the firm emphasis on enhancing the quality of the product, it charges a higher price to cover the additional cost incurred.

6. Method of Marketing: Methods of marketing used by the firm such as distribution, advertisement, customer services, branding, etc. also affect the determination of prices.

For example, if the firm uses intense advertising for the promotion of the product, then it would charge a higher price.