



# 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 B

MS

Class: XII  
Date: 12/01/2026  
Admission no:

Time: 3 Hrs.  
Max Marks: 80  
Roll no:

1	(b) Effective	1
2	(a) Increasing competition	1
3	(b) Both Assertion (A) and Reason (R) are true but reason (R) is not the correct explanation of Assertion (A)	1
4	(c) It leads to occupational specialisation.	1
5	(c) Assertion (A) is true and reason (R) is false	1
6	Motivation	1
7	(a) Both (A) and (R) are true and (R) is the correct explanation of (A)	1
8.	(b) No corrective action is required	1
9	(c) Management by exception	1
10	(a) Statement I is true and Statement II is false.	1
11	(a) The cost of debt is higher than the cost of equity	1
12	(c) Preparation of a sales forecast, Estimation of expected profit, Preparation of financial statements	1
13	(a) Both (A) and (R) are true and (R) is the correct explanation of (A)	1
14.	D) a-iii, b-iv, c-ii, d-i	1
15.	(c) Helps in promotion of the products	1
16	Marketing planning	1

- 17 (c) 30 days 1
- 18 (c) (A) is true but (R) is false 1
- 19 (d) All of the above 1

- 20 (c) Right to seek redressal 1

- 21 Dimension of business environment:(Any one) 3

(a)Legal environment. (b)Social environment.

(ii) Values being conveyed: (Any two)

(a) Respect for law (b) Cleanliness and hygiene (c) Raising standard of living (d) Secularism

(Or any other correct value)

**OR**

Dimensions:

(i) Economic Environment: "Customer income is rising."

(ii) Social Environment: "People have developed ..... have to pay more."

(iii) Political Environment: "The govt. .... retail sector".

(iv) Legal Environment: "Law has permitted ..... retailing."

- 22 (i) Planning involve huge cost. 3
- (ii) Planning is time consuming.
- (iii) Planning may not work in dynamic environment.

**OR**

1. Objective: '.... bring the world cup after winning.'

2. Strategy: 'For this he prepares a long-term plan and thinks the ways how to beat the competitors.'

3. Method: 'He coaches the girls to pay in different ways like defensive, offensive, etc.'

4. Procedure: 'At the outset of a match he explains who will open the match, and how the ball will be passed by one player to another step by step.'

- 23 A divisional organizational structure would best suit Hindustan Ltd., which manufactures multiple products, such as computers, soaps, and textiles. Here are some advantages of a divisional structure: 3
- Product specialization:** Each division can specialize in a particular product.
  - Integration:** Activities related to a single product can be easily integrated.
  - Independent units:** Each division can work as an independent unit.
  - Resource use:** Divisional management improves resource use.
  - Reduced supervision:** There is no need for corporate managers to directly supervise each division.
- 24 (i) Ajay would adopt zero-level channel of distribution because Ajay can have full control over the distribution process and sell his products by door-to-door sales to promote and provide knowledge about his products. He can customise his products by obtaining feedback from the backward areas and get their trust and confidence for his products. (ii) The investigation, Ajay has conducted, is a part of advertising strategies wherein he tried providing knowledge to People/ children in the backward areas. With relevant feedback toothpaste, he can also look into improving the quality of the product that supports the customer needs. He aims at improving the standard of living of people living in backward areas by focusing on health and hygiene, thus enhancing customers, satisfaction and confidence. This way he also aims at creating a brand and reputation as well as increase market area for his products. 3
- 25 Unity of Command 4
- Consequences of Violation - If an employee gets orders from two superiors at the same time i.e., principle of unity of command is violated.
1. authority is undermined
  2. discipline and order is disturbed
  3. stability is threatened 4. conflict among superiors 5. loyalty of employee is divided 6. Employees will remain in confusion regarding whose tasks to be done. He will have option for excuses.
- 26 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. 4
- 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

## OR

**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.

27      GyanPradhan has given perquisites and fringe benefits to the employees in the form of free education to children and medical aid. 4

Perquisites and fringe benefits are a type of Financial incentive. Some other financial incentives are:

1. **Bonus:** Additional reward over and above the salary such as gifts, festival bonus, etc.
2. **Retirement Benefits:** Offering retirement benefits to employees such as pensions, gratuity, provident fund, etc.
3. **Stock Option:** Offering the employees shares of the company at a price lower than the market price
4. **Profit-Sharing:** Sharing a portion of the profit with the employees (any two)

28      Various types of non-financial incentives are as follows: 4

**(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, pre-requisites and recognition. Psychological, social and esteem needs of an individual are satisfied by status.

## OR

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

**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.

29 (i) The function of management is 'controlling'. This is the third step of controlling process i.e., comparison of actual performance with established standards. This step involves finding deviations and their extent in identifying the causes of such deviations. 4  
(ii) Taking corrective actions: This is the last step of controlling process. By comparing actual performance with established standards, deviations are revealed. The remedial or corrective action is to be taken to remove deficiencies. Here, it involves change in working methods, material, machines, policies and procedures. It may also require improvement in the motivation, supervision and modifications in the business plans.

30 Lines from the Para: (a) "He called one of his rich friends Sudhir and asked him to invest Rs.5 crore in shares of his bank". (b) "On regular inspection and by conducting enquiries of the brokers involved, SEBI was able to detect this irregularity". Functions that were performed by SEBI in the above case were: 4  
(i) Regulatory function: 'On regular inspection and by conducting enquiries of the brokers involved, Securities and Exchange Board of India (SEBI) was able to detect this irregularity.' SEBI can call for information by undertaking inspection, conducting enquiries and audits of stock exchanges and intermediaries.  
(ii) (ii) Protective function: 'The SEBI imposed a heavy penalty on Vikash Mehra.' SEBI controls insider trading and imposes penalties for such practices.

31 (a) 6

1. Division of work
2. Unity of command
3. Unity of direction
4. Discipline
5. Remuneration of personnel
6. Order
7. Initiative
8. Esprit de corpse.

(b)

1. The company must increase its capital investment because the existing capacity of the company is not able to cooperate with the increased workload.
2. There must be unity of command, by making subordinates responsible to only one superior.

3. They should clearly define the authority responsibility relationships in context of expansion of production activity.
4. One division for one product should be followed to ensure unity of direction and division of work.
5. Employees should be motivated by giving them incentive and motivated employees will lead to restore discipline, initiative and esprit de corps.
6. Fair remuneration should be given, to increase the efficiency of the employees.

32

6

Delegation implies transfer of authority, from a superior to his subordinate. It is an essential concept for effective organisation as it lowers the burden on the manager and thereby, facilitates the manager to focus on activities that command high priority. Also, the managers can extend his area of operations once he delegates the work to subordinates. In addition to this, it provides the subordinates with more opportunities for growth. It helps in efficient completion of tasks as the subordinates can now show their skills and exercise initiative. The following points highlight the importance of delegation in effective organising.

(i) Managerial Efficiency: Delegation of the work to the subordinates, help the managers to concentrate on other areas of concern. With delegation of routine work to the subordinates, the manger can focus on other high priority areas. Besides, it provides them the opportunity to explore and innovate into new areas. For example, if the manager delegates the basic work to the subordinate he can put his mind into exploring ways to improve efficiency.

(ii) Employee Proficiency: By delegating the work, managers empower his subordinates by providing them opportunities to apply their skills. Herein, the subordinates get a chance to prove his abilities, gain experience and develop his career. Thus, delegation in a way helps in preparing future managers.

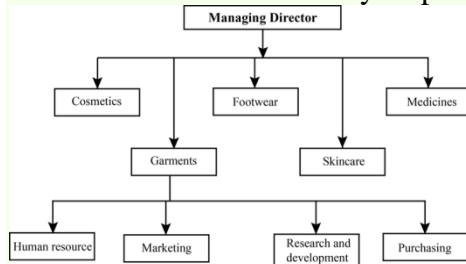
(iii) Motivation: Along with improving the managerial and employee efficiency, delegation provides the employees with the psychological benefits. It acts as a motivational guide for the workers. It imparts a feeling of mutual trust and commitment between the superior and subordinate. With responsibility the employee gains confidence and he gets encouraged to give their best to the organisation.



- (iv) **Growth:** Delegation facilitates easy growth and expansion. Delegation helps in the preparation of efficient and experienced managers that can take up leading positions at times of growth of the organisation. That is, workers trained and prepared through delegation contribute to the expansion and growth of the organisation more efficiently.
- (v) **Hierarchical Structure:** Delegation forms the basis of the hierarchical structure of an organisation. It decides the superior-subordinate chain and determines who has to report to whom. It clearly states down the reporting relationships which helps in smooth working of the organisation.
- (vi) **Coordination:** Delegation promotes coordination of work. It reduces overlapping of work by defining the reporting relationships. All the elements of delegation such as authority, responsibility and accountability helps in providing a clear working relationship, thereby, increasing efficiency.

## OR

Divisional organisation structure in which various departments are created on the basis of products, territory or region, is called a divisional structure. Each unit has a divisional manager, who is responsible for performance and has authority over their division. Each division is further divided into functional units like production, sales, finance, etc. The divisional head is solely responsible for the profit or loss of their division.



### Advantages of Divisional Structure

Divisional structure has the following advantages:

- (i) It helps the managers to develop varied skills related to a product and facilitates managerial development.
- (ii) Fixation of responsibility and accountability is easy, as divisional heads are responsible for the profits and losses of their divisions.
- (iii) With more initiative and flexibility, decisions are taken much faster in divisional structure.
- (iv) It facilitates expansion and growth as new divisions can be added without interrupting the existing operations.

### Disadvantages of Divisional Structure

Divisional structure suffers from the following disadvantages:

- (i) Conflict may arise between different divisions on allocation of funds and other resources.
- (ii) There is a duplication of physical facilities and functions, which leads to increase in

cost.

(iii) Greater autonomy to divisional heads may lead to misuse of authority.

(iv) Managers in each division focus on their own objectives, without thinking of the organisational goals.

33

6

Types of plans being discussed in the given paragraph are as follows.

i. Objective - An objective broadly outlines the key task or target to be reached at the end of a certain time period by the organization. In the given case, the objective is highlighted in the words "One of her objectives was to earn 80% profit on the amount invested in first year"

ii. Policy-A policy is a code of conduct to be followed by a particular organization in a particular scenario. It is not specific in nature and hence is interpreted according to the situation. In the given case, the lines "It was decided that raw materials like cloth, thread, buttons etc, will be purchased on two months credit"

III. Procedure A procedure comprises of guidelines to be followed in a specific order to make a policy decision to come into reality. In the given case, the line Decided to follow the steps required for marketing of the products through her own outlets" highlights the procedure to be followed

iv. Method - A method is a specific process to be conducted to carry out a desired task. In the given case, the method is highlighted in the words the exact manner in which the production activities are to be carried out highlight the type of plan called "method"

v. File- A rule is the type of plan that mentions the exact way of completing a particular task and its degree of compulsion A rule can also be negative and guide the employees about not doing a particular thing In the given case the line A Penalty of Rs 200 per day was announced for the workers who found smoking in the factory premises" highlights a rule

vi Budget A budget is usually a number that specifies the financial constraints and targeted achievements on an organization It mentions the upper limit of the expenditure of resources. In the given case the line "Ritesh also prepared a statement showing the requirement of workers in the factory throughout the year implies a budget"

34      Though advertising is one of the most frequently used medium of promotion of goods and services, yet it attracts lot of objections which are: 6

- (i) Adds to Cost: Advertising unnecessarily adds to the cost of the product, which is ultimately passed on to the buyers in the form of high prices.
- (ii) Undermines Social Values: Advertising undermines social values and promotes materialism and discontent among the people.
- (iii) Confuses the Buyer: There are so many products being advertised that the buyer gets confused as to which one should he buy.
- (iv) Encourages Sale of Inferior Products: Advertising does not distinguish between superior and inferior products and persuade people to purchase even the inferior products.
- (v) Some advertisements are not appropriate: Another criticism against advertising is that some advertisements show something which is not approved by some people like women dancing when not required.

**OR**

A good brand name consists of the following characteristics.

- 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.