

**MARKING SCHEME
BUSINESS STUDIES
2020-21**

		Marks
1	B. Departmentalisation	1
2	D. All the above	1
3	C. Restricted Entry	1
4	C. Political environment	1
5	A. Management	1
6	B. Interrelatedness	1
7	B. Constitution of the country	1
8	B. Coordination is a deliberate function	1
9	D. Controlling	1
10	B. Control by exception	1
11	B. Organising OR B. Divisional structure	1
12	D. i,iii,ii OR D. Gathering and analyzing market information	1
13	D. Offer through prospectus	1
14	B. Private placement	1
15	C. Both a and b	1
16	A. ₹8000 crores	1
17	B. Trademark	1
18	A. Marketing methods used	1
19	B. Regarding the channels or using intermediaries	1
20	D. Any of the above	1

	<p>also leads to generating rumours and informal discussions and sometimes may hamper the work environment.</p> <p>2. It is very difficult to detect the source of such communication.</p> <p>OR</p> <p>(a). Leadership- Leadership is the process of influencing the behaviour of people by making them strive voluntarily towards achievement of organisational goals. Leadership indicates the ability of an individual to maintain good interpersonal relations with followers and motivate them to contribute for achieving organisational objectives.</p> <p>(b). Motivation- Motivation means incitement or inducement to act or move. In the context of an organisation. It means the process of making subordinates to act in a desired manner to achieve certain organisational goals.</p>	<p>(2x2)</p>
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28	<p>Following are the factors affecting working capital requirement of a company: (Any four)</p> <ol style="list-style-type: none"> 1. Nature of Business: The basic nature of a business influences the amount of working capital required. A trading organisation usually needs a smaller amount of working capital compared to a manufacturing organisation. 2. Scale of Operations: For organisations which operate on a higher scale of operation, the quantum of inventory and debtors required is generally high. Such organisations, therefore, require large amounts of working capital as compared to the organisations which operate on a lower scale. 3. Business Cycle: Different phases of business cycles affect the requirement of working capital by a firm. In case of a boom, the sales as well as production are likely to be larger and, therefore, a larger amount of working capital is required. 4. Seasonal Factors: Most businesses have some seasonality in their operations. In peak season, because of higher levels of activity, larger amounts of working capital is required. 5. Production Cycle: Production cycle is the time span between the receipt the receipt of raw material and their conversion into finished goods. 6. Credit Allowed: Different firms allow different credit terms to their customers. These depend upon the level of competition that a firm faces as well as the credit worthiness of their clientele. 7. Operating Efficiency: Firms manage their operations with varied degree of efficiency. 8. Availability of Raw material: Higher the quantity of material to be stored, higher the amount of working capital required. 9. Growth Prospects: If the growth potential of a concern is perceived to be higher, it will require a higher amount of working capital. 10. Level of competition: Higher level of competitiveness may necessitate higher stocks of finished goods to meet urgent orders from customers. <p style="text-align: center;">Or</p> <p>Ans: Following are the factors affecting capital structure of the company:</p> <p>(Any four)</p> <ol style="list-style-type: none"> 1. Cash Flow Position: Size of projected cash flows must be considered before borrowing. Cash flows must not only cover fixed cash payment obligations but there must be sufficient buffers also. 	<p>(1x4)</p> <p>(1/2 mark for the heading and 1/2 marks for the explanation)</p>
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	<p>2. Interest Coverage Ratio (ICR): The interest coverage ratio refers to the number of times earnings before interest and taxes of a company covers the interest obligation</p> <p>3. Debt Service Coverage Ratio (DSCR): Debt Service Coverage Ratio takes care of the deficiencies referred to in the Interest Coverage Ratio (ICR). The cash profits generated by the operations are compared with the total cash required for the service of the debt and the preference share capital.</p> <p>4. Cost of debt: A firm's ability to borrow at a lower rate increases its capacity to employ higher debt. Thus, more debt can be used if debt can be raised at a lower rate.</p> <p>5. Tax Rate: A higher tax rate makes debt relatively cheaper vis-a-vis equity.</p> <p>6. Floatation cost: Process of raising funds involves some costs, these considerations may affect the choice between debt and equity, hence the capital structure.</p> <p>7. Risk Consideration: Business risk depends upon fixed operating cost. Fixed operating costs result in higher business risk and vice-versa. Total risk depends upon business risk and financial risk.</p> <p>8. Flexibility: To maintain flexibility it must maintain some borrowing powers to take care of unforeseen circumstances.</p> <p>9. Capital Structure of other companies: It has been observed that the capital structure of competing companies also affect the capital structure of the company in question.</p> <p>10. Stock Market Conditions: Stock market conditions often affect the choice between equity and debt.</p>	<p>(1X4)</p> <p>(1/2 mark for the heading and 1/2 marks for the explanation)</p>
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29	<p>Choice of Technique: As he wishes to stick to a low investment model, we may suggest him to go with the labour-intensive approach to manufacture N-95 masks. Since better technology would cost him much and his risk appetite is not conducive for capital intensive techniques of production.</p> <p>Financial Alternatives: As he wishes to stick to a low investment model, we may suggest him to go with the lease option for fixed assets like building, heavy machinery etc. as this may reduce his investments requirement in the business.</p>	2 2
30	<p>a) Right to safety: The consumer has a right to be protected against goods and services which are hazardous to life and health. For instance, electrical appliances which are manufactured with substandard products or do not conform to the safety norms might cause serious injury. Thus, consumers are educated that they should use electrical appliances which are ISI marked as this would be an assurance of such products meeting quality specifications.</p> <p>(b)Right to Consumer Education: The consumer has a right to acquire knowledge and to be a well-informed consumer throughout life. He should be aware about his rights and the reliefs available to him in case of a product or service falling short of his expectations.</p>	2 2
31	<p>Science not rule of thumb: Taylor pioneered the introduction of the method of scientific inquiry into the domain of scientific inquiry into the domain of management practice. We have already referred to the limitations of the rule of thumb approach of management. As different managers would follow their indigenous rules of thumb. It is but a statement of the obvious that all would not be equally effective. Taylor believed that there was only one best method to maximise efficiency. This method can be developed through study and analysis. The method so developed through study and analysis. The method so developed should substitute 'Rule of Thumb' throughout the organisation. Scientific method involved investigation of traditional methods through work-study, unifying the best practices and developing a standard method.</p> <p>Harmony, not discord: Factory system of production implied that managers served as a link between the owners and the workers. Since as managers they had the mandate to 'get work done' from the workers. Taylor recognised that this conflict helped none, the workers, the managers or the factory owners. He emphasised that there should be complete harmony between the management and workers. Both should realise that each one is important. To achieve this state, Taylor called for a complete Mental Revolution on part of both management and workers. It means that management and workers should transform their thinking. Management should share the gains of the company with the workers. At the same time workers should work hard and be willing to embrace change for the good of the company.</p> <p>Development of each and every person to his or her greatest efficiency and prosperity: As such, scientific management also stood for worker development. Worker</p>	(3 x 2)

	<p>training was essential also to learn the ‘best method’ developed as a consequence of the scientific approach. Taylor was of the view that the concern for efficiency could be built in right from the process of employee selection. Each person should be scientifically selected. Then work assigned should suit her/his physical, mental and intellectual capabilities. To increase efficiency, they should be given required training. Efficient employees would produce more and earn more. This will ensure their greatest efficiency and prosperity for both company and workers.</p>	
32	<p>Yes. Importance of Planning (Any four)</p> <ol style="list-style-type: none"> 1. Planning provides direction: Planning ensures that the goals or objectives are clearly stated so that they act as a guide for deciding what action should be taken and in which direction. If goals are well defined, employees are aware of what the organisation has to do and what they must do to achieve those goals. 2. Planning reduces the risks of uncertainty: Planning is an activity which enables a manager to look ahead and anticipate changes. By deciding in advance, the tasks to be performed, planning shows the way to deal with changes and uncertain events. Changes or events cannot be eliminated but they can be anticipated and managerial responses to them can be developed. 3. Planning reduces overlapping and wasteful activities: Planning serves as the basis of coordinating the activities and efforts of different divisions, departments and individuals. It helps in avoiding confusion and misunderstanding. Since planning ensures clarity in thought and action, work is carried on smoothly without interruptions. Useless and redundant activities are minimised or eliminated. 4. Planning promotes innovative ideas: Since planning is the first function of management, new ideas can take the shape of concrete plans. It is the most challenging activity for the management as it guides all future actions leading to growth and prosperity of the business. 5. Planning facilitates decision making: Planning helps the manager to look into the future and make a choice from amongst various alternative courses of action. The manager has to evaluate each alternative and select the most viable proposition. Planning involves setting targets and predicting future conditions thus helping in taking rational decisions. 6. Planning establishes standards for controlling: Planning provides the goals or standards against which actual performance is measured. By comparing actual performance with some standard, managers can know whether they have actually been able to attain the goals. If there is any deviation it can be corrected. Therefore, we can say that planning is a prerequisite for controlling. 	<p>(1½x4) (½ mark for the heading and 1 mark for the explanation)</p>

	<p style="text-align: center;">OR</p> <p>Identifying alternative courses of action: Once objectives are set assumptions are made. Then the next step would be to act upon them. There may be many ways to act and achieve objectives. All the alternative courses of action should be identified. The course of action which may be taken could be either routine or innovative. An innovative course may be adopted by involving more people and sharing their ideas.</p> <p>Remaining steps to be carried out to complete the process are as follows:</p> <ol style="list-style-type: none"> 1. Evaluating alternative courses: The next step is to weigh pros and cons of each alternative. Each course will have many variables which have to be weighed against each other. The positive and negative aspects of each proposal need to be evaluated in the light of the objective to be achieved. 2. Selecting an alternative: This is the real point of decision making. The best plan has to be adopted and implemented. The ideal plan, of course, would be the most feasible, profitable and with least negative consequences. Most plans may not always be subjected to a mathematical analysis. 3. Implementing the plan: This is the step where other managerial functions also come into the picture. The step is concerned with putting the plan into action. 4. Follow up action: To see whether plans are being implemented and activities are performed according to schedule is also part of the planning process. Monitoring the plans is equally important to ensure that objectives are achieved. 	<p style="text-align: center;">2</p> <p>1x4</p> <p>(½ mark for the heading and 1/2 mark for the explanation)</p>
33	<p>Decentralisation- Importance of Decentralisation (Any five)</p> <ol style="list-style-type: none"> 1. Develops initiative among subordinates- Decentralisation helps to promote self-reliance and confidence amongst the subordinates. 2. Develops managerial talent for the future- Formal training plays an important part in equipping subordinates with skills that help them rise in the organisation but equally important is the experience gained by handling assignments independently. 3. Quick decision making- The management hierarchy can be looked upon as a chain of communication. In a decentralised organisation however, since decisions are taken at levels which are nearest to the points of action and there is no requirement for approval from many levels the process is much faster. 4. Relief to top management- Decentralisation diminishes the amount of direct supervision exercised by a superior over the activities of a subordinate because they are given the freedom to act and decide albeit within the limits set by the superior. 5. Facilitates growth: Decentralisation awards greater autonomy to the lower levels of management as well as divisional or departmental heads. This allows them to function in a manner best suited to their department and fosters a sense of competition amongst the 	<p style="text-align: center;">1</p> <p>1x5 (1 mark for each statement)</p>

	<p>departments.</p> <p>6. Better control: Decentralisation makes it possible to evaluate performance at each level and the departments can be individually held accountable for their results.</p>																							
34	<p>Following are the points of differences between advertising and personal selling (Any Six)</p> <table border="1"> <thead> <tr> <th>Advertising</th> <th>Personal Selling</th> </tr> </thead> <tbody> <tr> <td>1. Advertising is an impersonal form of communication.</td> <td>Personal selling is a personal form of communication.</td> </tr> <tr> <td>2. Advertising involves transmission of standardised messages, i.e., the same message is sent to all the customers in a market segment.</td> <td>In personal selling, the sales talk is adjusted keeping view of customer's background and needs.</td> </tr> <tr> <td>3. Advertising is inflexible as the message can't be adjusted to the needs of the buyer.</td> <td>Personal selling is highly flexible. as the message can be adjusted.</td> </tr> <tr> <td>4. It reaches masses, i.e., a large number of people can be approached.</td> <td>Only a limited number of people can be contacted because of time and cost considerations.</td> </tr> <tr> <td>5. In advertising the cost per person reached is very low.</td> <td>The cost per person is quite high in the case of personal selling.</td> </tr> <tr> <td>6. Advertising can cover the market in a short time.</td> <td>Personal selling efforts take a lot of time to cover the entire market.</td> </tr> <tr> <td>7. Advertising makes use of mass media such television, radio, newspaper, and magazines.</td> <td>Personal selling makes use of sales staff, which has limited reach.</td> </tr> <tr> <td>8. Advertising lacks direct feedback. Marketing research efforts are needed to judge customers' reactions to advertising.</td> <td>Personal selling provides direct and immediate feedback. Sales persons come to know about the customers' reactions immediately.</td> </tr> <tr> <td>9. Advertising is more useful in creating and building interest of the consumers in the firm's products.</td> <td>Personal selling plays an important role at the awareness stage of decision making.</td> </tr> <tr> <td>10. Advertising is more useful in marketing to the ultimate consumers who are large in</td> <td>Personal selling is more helpful in selling products to the industrial buyers or to intermediaries such as dealers and</td> </tr> </tbody> </table>	Advertising	Personal Selling	1. Advertising is an impersonal form of communication.	Personal selling is a personal form of communication.	2. Advertising involves transmission of standardised messages, i.e., the same message is sent to all the customers in a market segment.	In personal selling, the sales talk is adjusted keeping view of customer's background and needs.	3. Advertising is inflexible as the message can't be adjusted to the needs of the buyer.	Personal selling is highly flexible. as the message can be adjusted.	4. It reaches masses, i.e., a large number of people can be approached.	Only a limited number of people can be contacted because of time and cost considerations.	5. In advertising the cost per person reached is very low.	The cost per person is quite high in the case of personal selling.	6. Advertising can cover the market in a short time.	Personal selling efforts take a lot of time to cover the entire market.	7. Advertising makes use of mass media such television, radio, newspaper, and magazines.	Personal selling makes use of sales staff, which has limited reach.	8. Advertising lacks direct feedback. Marketing research efforts are needed to judge customers' reactions to advertising.	Personal selling provides direct and immediate feedback. Sales persons come to know about the customers' reactions immediately.	9. Advertising is more useful in creating and building interest of the consumers in the firm's products.	Personal selling plays an important role at the awareness stage of decision making.	10. Advertising is more useful in marketing to the ultimate consumers who are large in	Personal selling is more helpful in selling products to the industrial buyers or to intermediaries such as dealers and	(1x6)
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numbers	retailers who are relatively few in numbers.	
<p style="text-align: center;">OR</p> <p>The marketing mix consists of various variables, which have broadly been classified into four categories, popularly known as four Ps of marketing. These are: (i) Product, (ii) Price, (iii) Place, and (iv) Promotion, and are discussed as follows:</p> <ol style="list-style-type: none"> 1. Product: Product means goods or services or ‘anything of value’, which is offered to the market for exchange. The concept of product relates to not only the physical product as mentioned in the above examples but also the benefits offered by it from the customer's view point (for example toothpaste is bought for whitening teeth, strengthening gums, etc.). The concept of product also includes the extended product or what is offered to the customers by way of after sales services, handling complaints, availability of spare parts etc. These aspects are very important, particularly in the marketing of consumer durable products (like Automobiles, Refrigerators, etc.). The important product decisions include deciding about the features, quality, packaging, labelling and branding of the products. 2. Price: Price is the amount of money customers have to pay to obtain the product. In the case of most of the products, the level of price affects the level of their demand. The marketers have not only to decide about the objectives of price setting but to analyse the factors determining the price and fix a price for the firm’s products. 3. Place: Place or Physical Distribution include activities that make firm’s products available to the target customers. Important decision areas in this respect include selection of dealers or intermediaries to reach the customers, providing support to the intermediaries (by way of discounts, promotional campaigns, etc.). 4. Promotion: Promotion of products and services include activities that communicate availability, features, merits, etc. of the products to the target customers and persuade them to buy it. Most marketing organisations undertake various promotional activities and spend a substantial amount of money on the promotion of their goods through using a number of tools such as advertising, personal selling and sales promotion techniques (like price discounts, free samples, etc.). 		<p>(1 ½x4)</p> <p>(½ mark for the heading and 1 mark for the explanation)</p>