

ISC EXAMINATION PAPER - 2025

BUSINESS STUDIES

Class-12th

(Solved)

Maximum Marks: 80

Time Allotted: Three Hours

Reading Time: Additional Fifteen Minutes

Instructions to Candidates:

1. You are allowed an additional fifteen minutes for only reading the question paper.
2. You must **NOT** start writing during reading time.
3. This question paper has 6 printed pages.
4. It is divided into **three sections** and has **13** questions in all.
5. All questions are compulsory. Answer **all** questions.
6. **Section A** has **sixteen subparts** which are very short answer questions. Each question carries **1** mark.
7. While attempting **Multiple Choice Questions** in Section A, you are required to **write only ONE option as the answer**.
8. **Section B** has **eight questions** which are short answer questions. Each question carries **4** marks.
9. **Section C** has **four questions** which are long answer questions. Each question carries **8** marks.
10. **Internal choices** have been provided in **two questions in Section B** and in **one question in Section C**.
11. The intended marks for questions are given in brackets [].

SECTION A – 16 MARKS

Question 1

- (i) Mahima has joined XYZ Ltd. as a Sales Executive. She is a bright employee with good interpersonal skills. At a review meeting, the management feels that Mahima is promising and can be considered for a future leadership role in the company. Identify the method of appraisal that has led the management to this conclusion about Mahima [1]
- (ii) As per the Blake and Mouton Managerial Grid, name the 5,5 leadership style combination. [1]
- (iii) Observe the relation between the first two phrases / terms and then fill in the fourth phrase/term. [1]
- (a) Monthly sales report: Routine report :: Report on theft _____: [1]
- (b) Reserve Bank of India: Regulator:: State Bank of India _____: [1]
- (iv) A movement to a higher pay scale without any change in the status of the employee is known as _____. [1]
- (v) As a source of finance, _____ shares are considered best for cautious investors seeking steady dividends. [1]
- (vi) Ex-employees are an _____ source of recruitment. [1]
- (vii) The _____ significance of Human Resource Management implies maximum utilisation of human resources by ensuring their physical and mental well-being. [1]
- (viii) Organisational barriers to communication refer to those obstacles that hinder the flow of communication within an organisation. [1]
- Which one of the following scenarios correctly indicates an organisational barrier?
- (a) Rohit submits a report to his Manager about a new consignment. The report is ambiguous, poorly worded and does not present all facts.
- (b) Vidya has innovative ideas on product design but is hesitant to present them to her superior as she fears rejection.
- (c) Tarun, an employee at Tarzan Associates urgently needs to meet the General Manager. However, his immediate superior tells him to follow all the levels of hierarchy and then meet the General Manager.
- (d) Some employees at ABC Ltd. could not apply for the position of a Manager within the company, due to a technical error in the internet server in their departments.

- (ix) With reference to non-monetary incentives offered by an organisation, identify the odd one out from the following. [1]
 (a) Appreciation of work (b) Participation in management decisions
 (c) Job security (d) Medical reimbursement
- (x) Select the preliminary step in the procedure of staff dismissal [1]
 (a) Holding of an enquiry (b) Issuing of a written charge sheet
 (c) Issuing of a notice of enquiry (d) Receipt of an explanation
- (xi) Read the two statements given below and choose the correct option. [1]
 Statement I: Pay slips help employees to understand their wage structure.
 Statement II: Since composition of wages is complicated, employees require a pay slip showing details of total wages, deductions and net wages.
 (a) Statement I is true and Statement II is false.
 (b) Statement I is false and Statement II is true.
 (c) Both Statement I and Statement II are true and Statement II is the correct explanation for Statement I.
 (d) Both Statement I and Statement II are true but Statement II is not the correct explanation for Statement I.
- (xii) State whether the following are True or False: [1]
 (a) A sole proprietorship firm has no legal existence separate from its owner. [1]
 (b) Staff Transfer refers to a vertical movement of an employee from one branch to another. [1]
 (c) Though Casual Leave allows an employee to enjoy the leave, it results in deduction of pay during the period of leave. [1]
 (d) Informal communication is completely authentic and reliable. [1]

SECTION B – 32 MARKS

Question 2

- (i) State *any two* advantages and *any two* disadvantages of Oral Communication [4]

OR

- (ii) State *any four* effects of Globalisation on business around the world.

Question 3

With reference to Business Correspondence, briefly explain each of the following:

- (i) Subject and Reference [2]
 (ii) Complimentary close and Signature [2]

Question 4

With reference to Herzberg's Two-factor Theory, explain the *motivational* and *hygiene* factors. [4]

Question 5

- (i) Distinguish between Training and Education on the following bases: [4]

(a) Nature (b) Participants (c) Duration (d) Contents

OR

- (ii) Distinguish between Recruitment and Selection on the following bases:

(a) Nature (b) Aim (c) Process (d) Number

Question 6

With reference to the Morale Productivity Matrix, name the quadrant indicated in each of the following cases:

- (i) Firoz, an efficient tailor in a garment factory, normally stitches 40 shirts in a week which is more than the average of 30 shirts stitched by the other tailors in the factory. However, his sewing machine broke down one day and he could stitch only 25 shirts in that week.
 (ii) Natasha is working with a company that has laid off many employees in the past few months. The fear of losing her job makes Natasha work beyond fixed hours to achieve all her sales targets.
 (iii) Gurdeep, a new employee at MN Sons Ltd., is a very dedicated and diligent worker. She strives relentlessly to achieve organisational goals for which she has received recognition by the company.
 (iv) Prince has been working as a clerk at Ronald Bank. He has completed twenty-five years of service and is due for retirement. During his tenure, the management of the bank did not consider him for any promotion because of his laid-back attitude towards his work. [4]

Question 7

[4]

A 360° appraisal is inclusive and based on collection of feedback from a variety of sources.

With reference to the above statement, explain *any two* components of this method of appraisal.

Question 8

Observe the image shown below and answer the questions that follow.



(i) Identify the type of training indicated in the image shown above.

[1]

(ii) How often is this type of training conducted for employees?

[1]

(iii) State *any two* reasons for conducting this type of training.

[2]

Question 9

[4]

Vasu, a Sales Executive at Sunshine Ltd., has been working with the organisation for fifteen years. He has a good track record. In recognition of his capabilities and long years of service in the organisation, the management promotes him to the post of Sales Manager.

Identify the basis on which Vasu has been promoted. Enumerate *any three* advantages of this type of promotion.

SECTION C – 32 MARKS**Question 10**

(i) Explain *two* types of Retirement.

[4]

(ii) With reference to staff benefits, briefly explain each of the following:

(a) Encashment of Leave

[2]

(b) Maternity Leave

[2]

Question 11

(i) Briefly explain each of the following:

(a) Human Resource Management

[2]

(b) B2B

[2]

(c) Loans

[2]

(d) Private Limited Company

[2]

OR

(ii) Briefly explain each of the following:

(a) Job Description

[2]

(b) Refresher Training

[2]

(c) Retainership

[2]

(d) EPF

[2]

Question 12

[8]

Neeta Kumar, an entrepreneur, wants a modern look for her new office. She comes across a newspaper advertisement from Majestic Furniture that gives an overview of the furniture available with them.

Based on the above information, draft a letter from Neeta Kumar to Majestic Furniture seeking more information about the furniture.

Question 13

Read the passage given below and answer the questions that follow.

Guardian Angels, a startup, offers childcare services for working parents. They have a set of trained caregivers and provide child and toddler care services at the client's residence. They offer two packages. Parents can opt for services in either the morning or the evening shift. Guardian Angels soon gains popularity and is flooded with demand for its services. However, it is understaffed and struggles to meet the growing demand.

Since it is a startup, Guardian Angels does not want to refuse the clients. Therefore, it decides to pay an additional amount to the employees who are now required to work in both the shifts. The increased work pressure leads to low morale among the employees.

- | | | |
|-------|--|-----|
| (i) | 'However, it is understaffed and struggles to meet the growing demand. Which area of job planning needs to be reconsidered by Guardian Angels? | [1] |
| (ii) | Name the method of remuneration followed by Guardian Angels | [1] |
| (iii) | Outline <i>any two</i> roles that Angel Investors play in a startup venture | [2] |
| (iv) | Discuss <i>any two</i> strategies that Guardian Angels can adopt to raise the morale of its employees. | [4] |

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Answers

SECTION – A

(i) Potential Appraisal.

Explanation: In this case, management is not just looking at Mahima's current performance as a Sales Executive but also evaluating her future potential—her interpersonal skills, brightness and overall promise—for leadership roles. This type of appraisal focuses on identifying individuals who have the capability and traits to assume higher responsibilities in the future.

(ii) Middle-of-the-Road Management.

Explanation: The leader's moderate concern for people and production balances task accomplishment with maintaining relationships, often leading to average performance. They avoid extremes in decision-making, ensuring a reasonable work environment but lacking strong direction or inspiration.

(iii) (a) Special Report

Explanation: A monthly sales report is a routine report, prepared at regular intervals. A report on theft is an irregular or special report, prepared when an incident occurs.

(b) Intermediary

Explanation: The Reserve Bank of India (RBI) acts as a regulator, overseeing and regulating financial institutions and the banking sector to ensure stability and proper functioning. On the other hand, the State Bank of India (SBI) acts as an intermediary, providing financial services such as lending, accepting deposits and facilitating transactions between individuals and businesses.

(iv) Upgrading

Explanation: Upgrading implies movement of an employee to a higher pay scale without any change of job. In an upgradation, the candidate continues to hold the same post without any change in the duties and responsibilities but merely gets a higher pay scale.

(v) Preference

Explanation: Preference shares provide fixed dividends before any dividends are paid to equity shareholders. They are considered less risky compared to equity shares, making them suitable for cautious investors who prioritise stable returns over high-risk, high-reward investments.

(vi) Internal

Explanation: Internal recruitment refers to hiring from within the organisation, which includes rehiring former employees (ex-employees) who may have left on good terms. They are familiar with the company's culture, policies and work environment, making the transition smoother.

(vii) Social

Explanation: Social significance in HRM focuses on the welfare of employees by providing fair wages, safe working conditions, job satisfaction and overall well-being. It ensures that human resources are utilised effectively while maintaining their physical and mental health, leading to a better work environment and improved productivity.

(viii) Option (c) is correct.

Explanation: Organisational barriers to communication are obstacles inherent within an organisation's structure or policies that hinder effective communication. The strict adherence to the hierarchical chain of command creates a barrier. This requirement slows down or obstructs direct communication, as the need to follow multiple levels of approval or protocol prevents timely interaction.

(ix) Option (d) is correct.

Explanation: **Non-monetary incentives** are rewards that do not involve direct financial payments but still motivate employees by fulfilling psychological, social, or professional needs. Medical reimbursement is considered a monetary incentive because it involves the company providing financial compensation or reimbursement for medical expenses incurred by employees.

(x) Option (b) is correct.

Explanation: This formally informs the employee of the charges or allegations against them and initiates the disciplinary process. After the charge sheet is issued, the organisation generally receives the employee's explanation, holds an enquiry if needed, and then decides on the appropriate action.

(xi) Option (c) is correct.

Explanation: Pay slips help employees understand their wage structure by providing a detailed breakdown of their earnings, deductions and any other components of their pay. This allows employees to see how their salary is calculated, including base pay, bonuses, overtime, taxes and other deductions like health insurance or retirement contributions. It ensures transparency and helps employees track their income and understand any adjustments made.

(xii) (a) True

Explanation: A sole proprietorship does not have a separate legal entity from its owner. The business and the owner are considered the same legal entity, meaning the owner is personally responsible for all aspects of the business, including its debts and liabilities.

(b) False

Explanation: Staff transfer typically refers to the

lateral movement of an employee from one branch or department to another, not a vertical movement.

(c) False

Explanation: It is provided to take care of urgent and unforeseen personal matters with prior permission/intimation. It is a paid leave. Generally, it ranges between 8 and 12 days per year/as per organisation's rule.

(d) False

Explanation: Informal communication is not always completely authentic or reliable, as it can be prone to distortions and misinterpretations.

SECTION – B

2. (i) Advantages of Oral Communication:

- (a) **Quick Exchange of Information:** Oral communication allows for immediate feedback and clarification, making it faster than written communication.
- (b) **Personal Touch and Persuasion:** It helps build relationships, conveys emotions and enhances understanding through tone, gestures and facial expressions.

Disadvantages of Oral Communication:

- (a) **Lack of Record:** Unlike written communication, oral communication does not provide a permanent record, making it difficult to refer back to later.
- (b) **Possibility of Misinterpretation:** Oral communication can be prone to misunderstandings and misinterpretations due to factors like unclear language, poor listening skills, or the presence of noise or distractions.

OR

(ii) Effects of Globalisation on Business Around the World:

- (a) **Increased Market Competition:** Businesses face greater competition from international companies, driving them to improve quality and efficiency.
- (b) **Expansion of Markets:** Companies can operate and sell their products in multiple countries, leading to global brand recognition.
- (c) **Technological Advancements:** Businesses adopt modern technology to stay competitive, enhancing productivity and innovation.
- (d) **Cultural Exchange:** Globalisation encourages diverse workplace cultures and international collaborations, fostering new business strategies and consumer preferences.

3. (i) Subject and Reference:

Subject: This is a brief statement that summarises the main purpose of the letter. It helps the recipient

5. Difference between Training and Education:

Basis	Training	Education
(a) Nature	Job-oriented	Career-oriented
(b) Participants	Employees or workers	Students or learners

quickly understand the content. Example: "Request for Quotation of Office Supplies."

Reference: It refers to any previous communication, order number, or file reference related to the letter. It helps in tracking and organising correspondence. Example: "Ref: Order No. 12345 dated 10th March 2025."

(ii) Complimentary Close and Signature:

Complimentary Close: This is a polite way to end a business letter, expressing courtesy and professionalism. Common examples include "Yours sincerely," or "Best regards."

Signature: The sender's handwritten or digital signature, followed by their name, designation and company details, to authenticate the letter. Example:

John Doe
Manager, XYZ Ltd.

4. Herzberg's Two-Factor Theory: The Two-Factor Theory includes two types of factors that affect how motivated or satisfied an employee is at work. These are comprised of hygiene factors and motivational factors.

(1) **Hygiene Factors:** Hygiene factors are those that need to be addressed by a business in such a way that they would not result in employees' unpleasant experiences and feelings at work. The presence of hygiene factors does not lead to positive satisfaction or higher motivation, but their absence results in dissatisfaction among employees. The hygiene factors are:

- Wages, salaries and other financial remuneration
- Company policy and administration
- Quality of interpersonal relations
- Working conditions
- Feelings of job security
- Quality of supervision

(2) **Motivational Factors:** Motivational factors emerge from the need of an individual to achieve personal growth. Job satisfaction results from the presence of motivational factors. Moreover, effective motivational factors do not only lead to job satisfaction, but also to better performance at work. The motivational factors are:

- Challenging or stimulating work
- Status
- Opportunity for advancement
- Responsibility
- Sense of personal growth or job achievement
- Acquiring recognition

(c) Duration	Short-term, focused on specific skills	Long-term, focused on overall knowledge development
(d) Contents	Job-specific skills and techniques	Broad concepts, theories and principles

OR

Difference between Recruitment and Selection:

Basis	Recruitment	Selection
(a) Nature	It is a positive process as it attracts people towards the organisation.	It is a negative process as it involves rejection of candidates at every stage of it.
(b) Aim	To create a pool of potential employees	To hire the most suitable candidate
(c) Process	It is a simple process that only involves identifying and attracting a pool of candidates for a specific job.	It is a complex process that involves creation of number of stages to be placed in a specific job.
(d) Number	A large number of applicants are encouraged to apply.	Only a few candidates are selected.

6. (a) Firoz: High Morale/Low Productivity

Explanation: A tailor experienced a decrease in productivity due to a broken sewing machine, resulting in a decrease from 25 shirts to 25. The issue was not due to lack of motivation, but the tailor's morale remained high despite the low productivity.

(b) Natasha: Low Morale/High Productivity

Explanation: The individual is working under job loss threats and exceeds fixed hours to meet targets, despite maintaining or boosting productivity. However, her work is driven by fear rather than genuine enthusiasm, indicating low morale.

(c) Gurdeep: High Morale/High Productivity

Explanation: A dedicated and diligent new employee, recognised for her contributions, has been observed to have high morale and productivity, indicating a positive work environment.

(d) Prince: Low Morale/Low Productivity

Explanation: A long-serving clerk with a laid-back attitude, never considered for promotion, reflects indicating low morale and low productivity in the workplace.

7. The 360° appraisal method gathers feedback from multiple sources to provide a well-rounded perspective on an employee's performance. Here are two key components:

(a) Self-Assessment: In this component, employees evaluate their own performance by reflecting on their achievements, strengths and areas where improvement is needed. This introspection encourages self-awareness and accountability.

(b) Peer Feedback: Peer feedback involves gathering assessments from colleagues at the same hierarchical level. These peers can offer insights into day-to-day interactions, teamwork, communication and overall collaboration that might not be visible to supervisors.

8. (i) The image depicts Induction Training (Orientation Training), which is given to new employees to familiarise them with company policies, rules and work culture.

(ii) Induction training is usually conducted whenever

new employees join an organisation.

(iii) Reasons for conducting this type of training.

(a) To help new employees understand company policies and procedures, ensuring they adapt quickly to the workplace.

(b) To improve employee confidence and productivity by making them aware of their roles, responsibilities and work environment.

9. Vasu has been promoted based on Seniority-cum-Merit. This means that his promotion was granted considering both his long years of service (seniority) and his proven track record of performance (merit) in the organization.

Three advantages of Seniority-cum-Merit promotion:

(a) Encourages Loyalty and Retention: Employees are motivated to stay longer with the organisation, knowing that their dedication and tenure will be rewarded with career growth.

(b) Ensures Fairness and Experience-Based Leadership: Promoting experienced employees ensures that managerial positions are filled by individuals who are well-versed in the company's culture, policies and work environment.

(c) Boosts Employee Morale and Motivation: Employees feel valued when their hard work and commitment are recognised, leading to increased job satisfaction and productivity.

10. (i) Two Types of Retirement:

(a) Voluntary Retirement: In this type of retirement, an employee chooses to retire before reaching the official retirement age, usually after completing a certain number of years in service. Organisations may offer Voluntary Retirement Schemes (VRS) with benefits to encourage employees to retire early. For example, a company offers VRS to employees aged 50 and above with 20+ years of service.

(b) Compulsory Retirement: This occurs when an employee is required to retire upon reaching a specified age (e.g., 58 or 60 years) as per company policy or government regulations. It may also be enforced due to poor performance, misconduct, or

restructuring. For example, a government employee is mandatorily retired at 60 as per service rules.

- (ii) (a) **Encashment of Leave:** Employees may have accumulated unused leave, which they can convert into cash when they leave the organisation or at certain points during employment. For example, if an employee has 30 days of unused paid leave, they receive a salary equivalent for those days instead of taking leave.

- (b) **Maternity Leave:** This is a statutory benefit that allows female employees to take paid leave during pregnancy and childbirth. The duration varies by country and organisation but generally ensures job security and financial support during this period. For example, in India, the Maternity Benefit Act, 2017 provides up to 26 weeks of paid maternity leave for the first two children.

11. (i) (a) **Human Resource Management (HRM):** HRM refers to the strategic approach of managing an organisation's workforce. It includes recruitment, training, performance management, compensation, employee relations and ensuring compliance with labour laws. HRM aims to enhance productivity and create a positive work environment.

- (b) **B2B (Business-to-Business):** B2B refers to commercial transactions between businesses rather than between a business and individual consumers. Companies sell products or services to other businesses, such as raw materials, software, or wholesale goods.

- (c) **Loans:** A loan is a sum of money borrowed from a bank or financial institution that must be repaid with interest over a specified period. Loans can be personal, business, home, or educational, based on the borrower's needs.

- (d) **Private Limited Company:** A Private Limited Company (Pvt. Ltd.) is a business entity privately owned by shareholders with limited liability. It cannot trade shares publicly and usually has a restriction on the number of shareholders (e.g., 2 to 200 in India). It offers legal protection to owners and is commonly used for startups and businesses seeking controlled ownership.

OR

- (ii) (a) **Job Description:**

A job description is a document outlining the duties, responsibilities, qualifications and expectations for a specific job role. A job description also allows an organisation to explain the purpose and goals of the position and how it fits in with the company's long-term vision. It helps both employers and employees understand the scope of work.

- (b) **Refresher Training:** Refresher training is a type of training programme designed to update employees on new industry developments, reinforce existing knowledge and improve efficiency. It is often used for employees who have been in a role for a long time.

- (c) **Retainership:** A retainership is an agreement where a professional or consultant is hired on a long-term basis to provide specific services regularly, usually in return for a fixed fee.

Example: A company hires a legal advisor on a retainership basis to handle legal matters.

- (d) **EPF (Employees' Provident Fund):** EPF is a retirement savings scheme where both employers and employees contribute a percentage of the employee's salary each month. It is managed by a government body, such as the **Employees' Provident Fund Organisation (EPFO)** in India. The funds accumulate with interest and can be withdrawn upon retirement or under certain conditions.

12. Neeta Kumar

[Your Address]

[City, Pin Code]

[Email Address]

[Phone Number]

[Date]

The Sales Manager

Majestic Furniture

[Company Address]

[City, Pin Code]

Subject: Inquiry about Office Furniture

Dear Sir/Madam,

I recently came across your advertisement in the newspaper and was impressed by the range of furniture you offer. I am in the process of setting up a new office and am looking for modern, stylish and ergonomic furniture that aligns with a contemporary workspace.

I would appreciate it if you could provide me with more details regarding:

1. The types of office furniture available (desks, chairs, storage units, etc.).
2. Price range and any ongoing discounts or offers.
3. Customisation options, if available.
4. Delivery timelines and installation services.
5. Warranty and after-sales service policies.

Kindly share a catalogue or brochure, along with the pricing and any other relevant information. If possible, I would also like to visit your showroom to explore the options in person.

Looking forward to your prompt response.

Sincerely,

Neeta Kumar

13. (i) Manpower planning

(ii) Time rate system

(iii) Roles that Angel investors play in a start-up venture:

- (a) **Providing Financial Support:** Angel investors fund early-stage start-ups to help them cover initial operational costs, expansion, or product development.

- (b) **Mentorship and Guidance:** They offer strategic advice, industry expertise and networking opportunities to help the start-up grow successfully.
- (iv) **Strategies that Guardian Angels can adopt to raise the morale of its employees:**
- (1) **Hire More Staff or Outsource:** Guardian Angels should focus on expanding their workforce to meet the growing demand. This can involve hiring more caregivers or outsourcing some tasks to ensure

employees aren't overworked. By reducing the workload per employee, morale can be improved significantly.

- (2) **Offer Recognition and Rewards:** Implementing a recognition programme where employees are acknowledged for their hard work and dedication can boost morale. Rewards could include bonuses, gift cards, or even public recognition for their efforts. This will make employees feel valued and appreciated.

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