

BRAIN INTERNATIONAL SCHOOL

SUBJECT: BUSINESS STUDIES

CLASS: XII

OCTOBER'24

CHAPTER 8: CONTROLLING

1. An efficient control system helps to:
 - a) Accomplishes organisational objectives
 - b) Boosts employee morale
 - c) Judges accuracy of standards
 - d) All of the above
2. Describe briefly the relationship between controlling and planning.
3. Explain 'Critical Point Control' with an example.
4. Why is controlling called a forward-looking function?
5. Give the meaning of 'Management by Exception.'
6. "Controlling is an indispensable function of management." Do you agree? Give four reasons in support of your answer.
7. PQR Ltd. is engaged in manufacturing machine components. The target production is 200 units per day. The company had been successfully attaining this target until two months ago. Over the last two months, it has been observed that daily production varies between 150-170 units. Identify the management function to rectify the above situation. Briefly state the procedure to be followed so that the actual production may come up to the target production.

CHAPTER 9: FINANCIAL MANAGEMENT

1. Financial Leverage is called favourable if:
 - a) Return on investment is lower than the cost of debt
 - b) Return on investment is higher than the cost of debt
 - c) Debt is easily available
 - d) If the degree of existing financial leverage is low
2. It is one of the decision of financial management that involve how much profit earned by the company after paying interest and Taxes should be distributed among shareholders and how much of it should be retained in the business.
 - a) Identify that financial decision.
 - b) Explain any three factors which will be considered at the time of taking financial decision identified in (A).
3. A company needs special kind of raw material which is imported from Japan and time-gap between order placement and delivery is 2 months.
 - a) How does it affect the requirement of working capital?
 - b) State any three others factors affecting working capital.
4. Viyo Limited is a company manufacturing textile. It has a share capital of ₹60,00,000. The earning per share in the previous year was ₹0.50. For diversification, the company requires additional capital of ₹40,00,000. The company raised funds by issuing 10% debentures for the same. During the current year, the company earned profit of ₹8,00,000 on capital employed. It paid tax at

the rate of 40%. State whether the shareholders gained or lost in respect of earnings per share on diversification. Show your calculations clearly. Also, state any one factor that favours the issue of debentures by the company.

5. A new company X Ltd. is planning its capital structure. It requires a capital investment of Rs.30,00,000. It has the following two options:

Option I: Issue of 3,00,000 equity shares of Rs.10 each

Option II: Issue of 2,00,000 equity shares of Rs.10 each and 10,000, 10% Debentures of Rs. 100 each.

The expected earnings before interest and tax (EBIT) is Rs.2,00,000 p.a. Tax rate is 30%.

Which of the two options will increase the return of shareholders? Explain the reasons and show your working.