CBSE EXAMINATION PAPER-2022

BUSINESS STUDIES

(Solved)

Time allowed : 3 hours | Maximum Marks : 53

General Instructions :

Read the following instructions carefully and follow them :

i. This question paper contains **15 questions.** All questions are **compulsory.**

ii. This question paper is divided into **3 sections.**

iii. **Section A** – questions number **1 to 4** are short answer type i

iv. **Section B** – questions number **5 to 9** are short answer type ii

v. **Section C** – questions number **10 to 15** are long answer

vi. There is no overall choice given in the question paper. However, an internal choice has been provided in few questions.

vii. Use of calculator is NOT allowed.

Section A

Question 1.

Identify and state the function of management which ensures that the organisational resources are being used effectively and efficiently for the achievement of pre-determined goals.

[2 Marks]

Answer: Controlling is the function of management that ensures organisational resources are used effectively and efficiently for achieving pre-determined goals. It involves setting performance standards, measuring actual performance, comparing it with the standards, and taking corrective actions if needed. This process helps to keep the organisation on track to achieve its objectives by monitoring progress and making necessary adjustments to resource usage. In short, controlling ensures that everything happens as planned and resources are optimally utilized.

Key Points: Controlling function - Ensures effective and efficient use of resources - Helps achieve pre-determined goals

Question 2.

Identify and state the step in the process of staffing under which the charge of the job is given to the selected employee and he/she is introduced to his/her superiors, subordinates and colleagues.

[2 Marks]

Answer: Answer: The step in the staffing process under which the selected employee is formally given the charge of the job and introduced to his/her superiors, subordinates, and colleagues is called **"Placement and Orientation"**.
This step comes after selection. In placement, the employee is assigned a specific job role suited to his/her abilities and qualifications.
Orientation involves introducing the new employee to the organization, work environment, rules, and team members, ensuring that the employee feels welcomed and understands their duties and relationships within the organization.
Thus, "Placement and Orientation" is crucial for helping the employee adjust and perform effectively in the organization.

Key Points: Placement and Orientation - Employee assigned job role - Employee introduced to superiors, subordinates, and colleagues

Question 3.

Give the meaning of ‘Informal Communication’.

[2 Marks]

Answer: Informal Communication is the type of communication that occurs naturally among people without following any official or formal organizational channels. It is also known as "grapevine" communication. This communication happens spontaneously between employees in an organization, usually based on personal relationships, friendships, and social interactions. Informal communication is not planned or structured, and it helps in building good relationships, sharing information quickly, and creating a friendly work environment. However, it may sometimes lead to misinformation if not managed properly.

Key Points: Communication without formal channels - Spontaneous and natural interaction - Also called grapevine communication

Question 4.

KLM Bank Ltd. is a leading bank with various branches across the country. On 27th Jan. 2022, it faced a sudden temporary shortage in cash balance in one of its branches. On the same day, it was decided by its directors to borrow funds from another bank for two days to maintain its cash reserve ratio.

Identify and explain the money market instrument used by KLM Bank Ltd. to meet its short term funds requirement.

[2 Marks]

Answer: The money market instrument used by KLM Bank Ltd. is a **Call Money** or **Inter-bank Call Loan**.
Call Money is a short-term finance instrument that is lent or borrowed on demand, usually for a very short period ranging from one day to a fortnight.
Here, since KLM Bank Ltd. needed funds for only two days to maintain the cash reserve ratio, it borrowed call money from another bank.
This borrowing helps the bank to manage its liquidity and meet regulatory requirements without selling assets or raising long term funds.
In summary, call money is used by banks to tide over temporary cash shortages and meet their short-term liquidity needs efficiently.

Key Points: Call Money - Short term borrowing - Used to maintain cash reserve ratio

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Section B

Question 5.

State any three factors affecting working capital requirements of a company.

[3 Marks]

Answer: The three factors affecting working capital requirements of a company are:
(a) Nature of Business: Manufacturing companies generally need more working capital than trading companies because production involves raw materials, work-in-progress, and finished goods.
(b) Production Cycle: A longer production cycle increases the need for working capital since funds are tied up in inventory for a longer time.
(c) Scale of Operations: Larger companies with higher scale operations need more working capital to manage their increased volume of transactions and inventory.
These factors influence how much current assets a company needs to maintain its smooth operations.

Key Points: Nature of Business - Production Cycle - Scale of Operations

Question 6.

Explain how controlling helps in ‘accomplishing organisational goals’ and ‘judging accuracy of standards’.

[3 Marks]

Answer: (a) Controlling helps in accomplishing organisational goals by ensuring that all activities are aligned with the planned objectives. It involves measuring actual performance, comparing it with the set standards, and taking corrective actions if there are deviations. This process keeps the organisation on the right track towards its goals by minimizing errors and improving efficiency.

(b) Controlling helps in judging accuracy of standards by providing feedback on whether the set standards are realistic and achievable. By comparing actual results with standards, managers can assess if the standards are too high, too low, or just right. This helps in revising and improving standards to better suit organisational needs for future planning.

Key Points: Helps align activities with organisational goals - Measures and compares performance - Provides feedback to evaluate and improve standards

Question 7.

Nandita Srivastava is the Human Resource Manager of ‘TM Infrastructure Ltd.' It is one of the largest construction companies in India. The company handles projects worth more than Rs 18,000 crore.

The responsibilities of Nandita Srivastava include searching and hiring suitable people for different posts in the organisation. To measure certain characteristics of potential candidates, who apply for various vacancies, she is required to conduct a series of selection tests appropriate for different posts. These tests will help her to predict for which job the applicant will be successful, if hired. Explain any two types of selection tests that may be conducted by Nandita Srivastava to select the most suitable persons.

[3 Marks]

Answer: (a) Aptitude Tests: These tests measure the candidate's ability to learn and perform specific tasks. They assess abilities like numerical aptitude, verbal reasoning, and problem-solving skills. Aptitude tests help to understand whether a candidate can handle the job-related tasks efficiently.
(b) Personality Tests: These tests evaluate the behavioural traits, attitudes, and personality characteristics of the applicants. Personality tests help to find out if the candidate is suitable for the organization’s work culture and the specific job role, ensuring better employee-job fit.

Key Points: Aptitude tests measure candidate's ability to perform tasks - Personality tests assess behavioural traits and attitudes - Both help in selecting suitable candidates

Question 8.

What is meant by non-monetary incentives ? State any two non-monetary incentives.

[3 Marks]

Answer: (a) Meaning of Non-monetary Incentives: Non-monetary incentives are rewards given to employees that do not involve money but help in motivating and encouraging them to perform better. These incentives focus on employee satisfaction, recognition, and career growth instead of direct financial benefits.
(b) Two Examples of Non-monetary Incentives: 1. Appreciation and Recognition: Praising employees for their good work publicly increases their confidence and motivation.
2. Promotion or Growth Opportunities: Offering chances for career advancement or additional responsibilities to employees encourages them to work hard and stay loyal to the organization.

> **Key Points: Definition of non-monetary incentives - Examples include appreciation and promotion - Helps in employee motivation without financial reward**

Question 9.

State any three benefits of training to the organisation.

[3 Marks]

Answer: Training benefits an organisation in many ways. (a) It improves employee performance and productivity because trained employees are more skilled and knowledgeable about their work. (b) It reduces employee turnover by increasing job satisfaction and motivation, which leads to better employee retention. (c) It helps in adapting to new technologies and changes, making the organisation more competitive and efficient in the market.

> **Key Points: Improves employee performance - Reduces employee turnover - Helps adapt to new technologies and changes**

Section C

Question 10.

Explain the following rights of a consumer as per the Consumer Protection Act, 2019 :

(i) Right to be heard.

(ii) Right to Safety

[5 Marks]

Answer: (i) **Right to be heard:** This right ensures that the consumer's interests and grievances are given due consideration at appropriate forums. It means consumers can voice their complaints or concerns regarding goods or services received, and these are addressed by the authorities or companies. This right empowers consumers to participate in policy formulation and decisions affecting them, ensuring their views and complaints are fairly heard and acted upon.
(ii) **Right to Safety:** This right protects consumers against the marketing of goods and services that are harmful to their health or life. It ensures that products offered to consumers meet safety standards and do not cause any physical harm or danger when used as intended. Manufacturers and service providers must ensure their products are safe, reliable, and conform to quality standards, thus safeguarding consumers from hazardous products or services.

Key Points: Right to be heard means consumers can voice complaints and be heard in legal or policy matters - Right to Safety protects consumers from harmful goods or services - Ensures safe and quality products and fair treatment

Question 11.

(i) Define a ‘Consumer’ as per the Consumer Protection Act, 2019.

(ii) As per the Consumer Protection Act, 2019, upto what value of defective

goods or deficient services, can a complaint be filed at District

Commission’ ?

(iii) Within how many days can an appeal against the order of District

Commission be made if any of the parties is not satisfied by its order ?

[5 Marks]

Answer: (a) A "Consumer" as per the Consumer Protection Act, 2019 means a person who buys any goods or hires or avails any service for a consideration. It includes any user of such goods or service other than the person who buys it if such use is with the approval of the buyer and excludes a person who obtains goods for resale or for any commercial purpose.

(b) As per the Consumer Protection Act, 2019, a complaint can be filed at the District Commission where the value of the defective goods or deficient services does not exceed rupees 1 crore.

(c) If any party is not satisfied with the order of the District Commission, they can file an appeal to the State Commission within 30 days from the date of the order passed by the District Commission.

Key Points: Definition of consumer - Jurisdiction of District Commission up to 1 crore -

Appeal within 30 days to State Commission

Question 12.

Differentiate between ‘Primary Market’ and ‘Secondary Market’ on any five basis.

[5 Marks]

Answer: Difference between Primary Market and Secondary Market

(a) **Meaning:** Primary Market is the market where new securities are issued and sold for the first time, while Secondary Market is the market where existing securities are traded among investors.

(b) **Purpose:** Primary Market helps companies to raise fresh capital directly from investors, whereas Secondary Market provides liquidity to investors by allowing them to buy and sell securities.

(c) **Participants:** In Primary Market, the main participants are the issuing company and investors, but in Secondary Market, the transactions occur between investors themselves.

(d) **Price Determination:** In Primary Market, the price of securities is generally fixed by the issuer or through a book building process, whereas in Secondary Market, prices are determined by the demand and supply forces.

(e) **Regulations:** Both markets are regulated by authorities like SEBI, but Primary Market regulations focus on issue procedure and disclosures, while Secondary Market regulations focus on trading and settlement activities.

Thus, Primary Market involves issuance of new securities, and Secondary Market involves trading of existing securities offering liquidity and marketability.

Key Points: Issue of new securities vs trading existing securities - Raising fresh capital vs providing liquidity - Issuer and investors vs investors only - Price fixed by issuer vs price determined by market - Regulations on issue vs regulations on trading

Question 13.

Gautam Natarajan is the founder of ‘Brewed Beans Coffee’, a famous chain of 21 outlets in South India, selling high quality filter coffee. He is known for his leadership and vision. He believes that human

resources, are the most important assets of an organisation. He often quotes, “The right people can help you take your business to the top, the wrong people can break your business.” This is the reason he considers the function of management that fills the various positions in the organisation structure to be the most critical and fundamental to organisational performance.

(a) Identify the function of management that has been emphasised by Gautam Natarajan.

(b) State any four points of importance of function identified in (a) above.

[5 Marks]

Answer: (a) The function of management emphasised by Gautam Natarajan is **Staffing**. Staffing involves recruiting, selecting, training, and developing employees to fill various roles in the organisation.
(b) Importance of Staffing:
1. **Right People in Right Jobs:** Staffing ensures that the organisation has the right people with appropriate skills and qualifications for each job position.
2. **Improves Performance:** Hiring competent staff increases efficiency and productivity, helping the organisation achieve its goals.
3. **Provides Competitive Advantage:** Having skilled and motivated employees gives the organisation an edge over competitors.
4. **Facilitates Growth:** Effective staffing supports expansion by providing the necessary human resources for new operations or projects.
In summary, staffing is critical because employees are the backbone of any organisation and determine its success or failure.

> **Key Points: Staffing function - Right people in right job - Improves organisational performance - Provides competitive advantage - Supports organisational growth**

Question 14.

Anurag Tiwari is a famous news reader. He has recently started a news company 'Axis Media Corporation Ltd.'. The aim of this company is to launch a 24-hour Hindi news channel to broadcast latest news from India and around the world. For this new venture, the company will have to decide how to invest funds in different assets. The purchase of few assets like equipment, computers, vehicles, ete. will involve committing the finance on a long-term basis. It will affect earning capacity of the business in the long run. Therefore, the company needs to take the decision to invest in such assets with utmost care.

(a) Identify and state the type of investment decision discussed in the above paragraph.

(b) State any three factors which affect the decision identified in (a) above.

[5 Marks]

Answer: (a) The type of investment decision discussed in the paragraph is **Capital Budgeting or Fixed Asset Investment Decision**. This decision involves investing in long-term assets such as equipment, computers, and vehicles which will affect the capacity of the business to earn profits in the future.
(b) Three factors affecting this investment decision are:
1. **Return on Investment**: The company must evaluate how much profit or return the investment will generate over time.
2. **Risk Involved**: The possibility of loss or uncertainty linked to the long-term investment must be assessed.
3. **Availability of Funds**: The company should consider whether sufficient funds are available or if it

will need to raise funds through loans or other means.
Other factors can include economic conditions, technological changes, and the expected life of the assets. Making careful investment decisions helps ensure the company grows sustainably and achieves its business objectives.

Key Points: Capital Budgeting or Fixed Asset Investment Decision - Return on Investment - Risk Involved - Availability of Funds

Question 15.

'Reliable Labs Ltd.' is a trusted name in diagnostic services with seven branches spread across the city of Pune. The directors of this company have projected that with the rise in health consciousness in the society and the rising burden of chronic diseases, the demand for diagnostic tests is expected to grow in future. Considering this, they decided to open branches of their diagnostic labs in Ahmedabad.

It was estimated that it will require ₹ 100 crore of additional funds. The directors have to take the decision about how much funds should be raised from equity capital and how much from debt. It will affect the overall cost of capital and the financial risk of the company.

(a) Identify and state the financial decision discussed in the above paragraph.

(b) State any three factors that should be kept in mind by the Board of Directors of 'Reliable Labs Ltd.', while taking the decision identified in (a) above.

[5 Marks]

Answer: (a) The financial decision discussed is Capital Structure Decision. It relates to determining the proportion of funds to be raised through equity capital and debt to finance the company's expansion plans.

(b) Factors to be considered by the Board of Directors while deciding the capital structure:
1. Cost of Capital: The directors should evaluate the cost of debt and equity to minimize the overall cost of capital.
2. Financial Risk: Higher debt increases financial risk and obligation to pay interest, so the company must consider the risk tolerance.
3. Cash Flow Position: The company must assess its ability to generate sufficient cash flows to meet debt repayments without financial distress.
Other factors such as the current capital structure, market conditions, and tax implications may also be considered to make a balanced decision.

Key Points: Capital Structure Decision - Cost of Capital - Financial Risk - Cash Flow Position