# CBSE EXAMINATION PAPER-2022

## BUSINESS STUDIES

### (Solved)

Time allowed : 3 hours | Maximum Marks : 53

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**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.**

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. to meet its short term funds requirement is called a **Call Money** or **Interbank Call Loan**. Call Money is a short-term loan given by one bank to another to fulfill its temporary cash needs. The loan duration can be as short as one day, and in this case, it was for two days. It helps banks maintain their cash reserve ratio as mandated by the Reserve Bank of India. The interest rate charged on call money is called the call rate, which fluctuates daily based on demand and supply of funds in the interbank market. By borrowing call money, KLM Bank Ltd. could instantly get funds to cover the cash shortage without affecting its other operations. In summary,
**Call Money** is a short term money market instrument used for borrowing and lending funds between banks to meet urgent cash requirements.

> **Key Points: Call Money - Short term interbank loan - Helps maintain cash reserve ratio**

**Question 2.**

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 to achieve pre-determined goals. It involves measuring actual performance, comparing it with the set standards, and taking corrective actions if needed. This process helps managers ensure that the organisation is moving in the right direction and resources such as time, money, and manpower are not wasted. In simple words, controlling monitors progress and helps in achieving the organisation's objectives systematically.

**Key points about Controlling function:**
- It sets performance standards.
- Measures actual performance.
- Compares performance with standards.
- Take corrective actions to fix deviations.
- Ensures efficient use of resources.
- Helps in achieving organisational goals effectively.

> **Key Points: Controlling function - Ensures effective and efficient resource use - Achieves pre-determined organisational goals**

**Question 3.**

Give the meaning of ‘Formal Communication’.

[2 Marks]

**Answer: Formal Communication** is the process of exchanging information officially within an organisation through predefined channels. It follows the organisational hierarchy and structure, ensuring that messages flow through the proper paths from superiors to subordinates or between colleagues. This type of communication is documented or recorded and is used for official purposes like instructions, reports, policies, or notices. It helps maintain clarity, accountability, and proper flow of information in an organisation.

> **Key Points: Official exchange of information - Follows organisational hierarchy - Documented and recorded communication**

**Question 4.**

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:** The step in the process of staffing under which the selected employee is given charge of the job and introduced to his or her superiors, subordinates and colleagues is called **Placement and Induction**.
Placement means assigning the candidate the job for which he or she is selected. Induction is the process of introducing the new employee to the organization, its policies, culture, work environment, and to the people like superiors, subordinates and colleagues. This helps the new employee to adjust and become comfortable in the new workplace, which is essential for effective performance.

> **Key Points: Placement - Induction - Introduction to superiors, subordinates and colleagues**

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## Section B

**Question 5.**

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 monitors performance regularly, identifies deviations from the set goals, and initiates corrective actions to bring actual results back on track. This systematic process helps the organisation to efficiently use its resources and achieve its targets.
(b) Controlling aids in judging the accuracy of standards by comparing actual performance with the pre-established standards. When managers measure real results against standards, they can assess whether the standards set are realistic, effective, and appropriate. If discrepancies arise, it informs whether standards need revision or if improvements are required in operations. Thus, controlling provides feedback for better planning and standard setting.

**Key Points: Controlling ensures activities align with goals - Corrective actions to achieve targets - Compares actual performance with standards - Helps assess accuracy of standards - Provides feedback for improvement**

**Question 6.**

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 ₹ 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 Test:** This test measures the candidates' ability to learn and perform specific tasks. It helps Nandita to identify the general intelligence, numerical ability, reasoning skills, and problem-solving capacity of the applicants. Aptitude tests are useful to predict how well a candidate can perform in the job.
(b) **Personality Test:** This test evaluates the behavioral traits of candidates. It helps in understanding their attitude, emotional stability, social skills, and suitability to the organisation's culture. Conducting personality tests helps Nandita select candidates who will fit well with the company environment and work well with others.

**Key Points: Aptitude test measures learning and problem-solving ability - Personality test assesses behavioral traits and emotional stability - Tests help predict candidate suitability for job roles**

**Question 7.**

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

[3 Marks]

**Answer: Non-monetary incentives** are rewards given to employees that do not involve direct payment of money. These incentives motivate employees by fulfilling their psychological or social needs rather than financial needs.

**Two examples of non-monetary incentives are:**
1. **Recognition and Appreciation:** Praising an employee for good work or giving them awards to make them feel valued.
2. **Opportunity for Promotion:** Providing chances for career advancement which encourages employees to perform better.

> **Key Points: Non-monetary incentives do not involve money - Examples include recognition and promotion - They satisfy psychological and social needs**

**Question 8.**

State any three benefits of training to the organisation.

[3 Marks]

**Answer: Benefits of Training to the Organisation:**
(a) **Improved Efficiency:** Training helps employees to learn new skills and improve their existing skills, which increases their efficiency and productivity.
(b) **Reduced Supervision:** Well-trained employees require less supervision, enabling managers to focus on other important tasks.
(c) **Lower Turnover:** Training increases employee satisfaction and loyalty, reducing the turnover rate and saving costs on recruitment and hiring.

> **Key Points: Improved efficiency - Reduced supervision - Lower turnover**

**Question 9.**

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

[3 Marks]

**Answer: Factors affecting working capital requirements:**
(a) Nature of Business: Different types of businesses have different working capital needs. For example, manufacturing companies need more working capital compared to trading companies because of longer production cycles.
(b) Scale of Operations: Larger businesses generally require higher working capital due to bigger

production and sales volume.
(c) Production Cycle: A longer production cycle means funds are tied up for a longer period. Therefore, companies with longer production cycles require more working capital to finance raw materials, wages, and other expenses during that period.

**Key Points: Nature of business - Scale of operations - Production cycle**

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## Section C

**Question 10.**

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

(1) Right to seek redressal

(1) Right to consumer education.

[5 Marks]

**Answer: (1) Right to seek redressal:** This right ensures that consumers can approach the appropriate consumer forums or authorities if they face any unfair trade practices or defects in goods and services. Consumers can file complaints to get compensation or resolution for their grievances, such as replacement, refund, or repair. The Consumer Protection Act, 2019, provides a legal mechanism for speedy and effective redressal of consumer disputes.

**(2) Right to consumer education:** This right guarantees that consumers have access to information and knowledge about the goods and services they use. The government and other organizations must promote awareness about consumer rights, safe usage of products, and how to make informed choices. Consumer education empowers people to avoid exploitation and make wise decisions in the market. It helps create responsible and informed consumers who can protect themselves from unfair practices.

**Key Points: Right to seek redressal allows consumers to get complaints resolved - Legal provision for compensation and replacement - Right to consumer education ensures consumers are aware of their rights and product information - Promotes informed and responsible consumption**

**Question 11.**

State any five reliefs available to a consumer under the Consumer Protection Act, 2019 when consumer court is satisfied about the genuineness of the complaint.

[5 Marks]

**Answer:** Under the Consumer Protection Act, 2019, when the consumer court is satisfied about the genuineness of the complaint, it may grant the following reliefs to the consumer:
**(1)** Refund of the price paid by the consumer for the defective or substandard goods or deficient services.
**(2)** Replacement of the goods with new goods of the same kind.
**(3)** Compensation for the loss or injury suffered by the consumer due to negligence or unfair trade practices.
**(4)** Removal of defects in goods or deficiencies in services.
**(5)** Discontinuation of the unfair trade practice or publication of corrective advertisements to neutralize the effect of such practices.
These reliefs help protect the interests of consumers and promote fair trade practices in the market.

> **Key Points: Refund of price - Replacement of goods - Compensation for loss - Removal of defects - Discontinuation of unfair practice**

**Question 12.**

Differentiate between 'Capital Market' and 'Money Market' on the basis of :

(i) Participants

(ii) Instruments

(iii) Investment Outlay

(iv) Duration

(v) Liquidity

[5 Marks]

**Answer: (i) Participants:** Capital Market mainly involves long-term investors such as companies, mutual funds, and individual investors. Money Market involves participants like banks, financial institutions, and government bodies.
**(ii) Instruments:** Capital Market instruments include shares, debentures, and bonds. Money Market instruments consist of treasury bills, commercial papers, and call money.
**(iii) Investment Outlay:** Investments in Capital Market are generally high due to long-term nature, whereas Money Market requires lower investment outlay.
**(iv) Duration:** Capital Market deals in long-term securities with maturity of more than one year. Money Market deals with short-term funds with maturity less than one year.
**(v) Liquidity:** Money Market instruments are highly liquid and can be quickly converted to cash. Capital Market instruments are less liquid compared to Money Market instruments.

**Key Points: Participants differ - Instruments differ - Investment outlay differs - Duration differs - Liquidity differs**

**Question 13.**

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, etc. 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 here is **Capital Budgeting Decision**. It involves decisions related to investing in long-term assets like equipment, computers, vehicles that will affect the earning capacity of the business in the future.
**(b)** Three factors that affect capital budgeting decisions are:
1. **Cash Flow Estimation**: The expected cash inflows and outflows from the investment must be estimated accurately.
2. **Risk and Uncertainty**: The risk related to the investment and uncertainty about returns need to be considered.
3. **Cost of Capital**: The cost at which the company borrows or the required rate of return for the investment affects the decision.
Other factors include economic conditions, technological changes, and strategic fit with company goals.

**Key Points: Capital Budgeting Decision - Cash Flow Estimation - Risk and Uncertainty - Cost of Capital**

**Question 14.**

'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 here is the Capital Structure Decision. It involves deciding the proportion of funds to be raised through equity capital and debt for financing the expansion of Reliable Labs Ltd. (b) The three factors to be considered by the Board of Directors while making this decision are: 1. Cost of Capital: They should evaluate the cost of raising funds through equity and debt and aim to minimize the overall cost of capital to maximize profits.
2. Financial Risk: Higher debt increases financial risk due to fixed interest obligations. The Board must consider the company's capacity to repay debt without jeopardizing financial stability.
3. Control Considerations: Issuing more equity may dilute existing shareholders' control, while debt does not affect ownership. The directors should balance control with funding needs.

> **Key Points: Capital Structure Decision - Cost of Capital - Financial Risk - Control Considerations**

**Question 15.**

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 **Recruitment or Staffing**. Staffing is the process of filling and keeping filled the positions in the organisation structure. It involves hiring the right people to ensure organisational success.
(b) Importance of Staffing Function:
1. **Right People in Right Jobs:** Staffing ensures that qualified and skilled people are placed in suitable positions, improving productivity.
2. **Improves Performance:** Selecting competent employees helps enhance overall organisational performance.

3. **Reduces Turnover:** Effective staffing reduces employee turnover by hiring individuals who fit well with the organisation.
4. **Helps in Growth:** An organisation with the right human resources can achieve its goals and grow effectively.

Thus, staffing is vital as it provides skilled manpower which is essential for the success and growth of any organisation.

> **Key Points: Staffing-Recruitment-Right people in right jobs-Improves performance-Reduces turnover-Helps growth**

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