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 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 process of staffing in which the selected employee is given charge of the job and introduced to his/her superiors, subordinates, and colleagues is called **Placement and Induction**.

Placement means assigning the selected employee to a suitable job or position where he/she can perform best.

Induction refers to introducing the new employee to the organization, familiarizing him/her with the work environment, and introducing him/her to the team including superiors, subordinates, and colleagues to help the new employee adjust and feel comfortable in the organization.

This step is important as it ensures that the employee knows his/her responsibilities and becomes a part of the team quickly and effectively.

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

Question 2.

KLM Bank Ltd. is a leading bank with various branches across the country. on 27th Jan. 2022, it faced sudden temporary shortage in cash balance in one of its branches. On the same day, it was decide 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: Answer: The money market instrument used by KLM Bank Ltd. to meet its short term funds requirement is a **Call Money**.
Call money is a short-term finance borrowed and lent for a very short duration of 1 to 14 days in the money market. Banks use call money to cover their temporary shortage of cash to maintain the required cash reserve ratio.
In this case, KLM Bank Ltd. borrowed funds from another bank for two days, which falls under call money transactions. It is an unsecured loan and helps banks manage their short-term liquidity needs efficiently without affecting their operations or regulatory requirements.

> **Key Points: Call Money - Short-term borrowing for 1 to 14 days - Used to maintain cash reserve ratio**

Question 3.

Give the meaning of 'Communication' as an element of directing.

[2 Marks]

Answer: Communication as an element of directing refers to the process of exchanging information, ideas, instructions, and feedback between the manager and the subordinates. It ensures that the objectives and directives of the organization are clearly understood by employees so that they can perform their tasks effectively. Communication helps in motivating employees, resolving conflicts, and coordinating activities, making it essential for smooth functioning and achievement of organizational goals.

Key Points: Exchange of information - Ensures instructions are understood - Motivates and coordinates employees

Question 4.

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 set standards, and taking corrective actions if there are deviations. This process helps managers to ensure that the organisation is moving in the right direction and objectives are met on time.
Thus, controlling helps in minimizing errors and improving efficiency while achieving goals.

Key Points: Controlling-function of management - ensures effective and efficient use of resources - monitoring and comparing performance - corrective actions for deviations - achievement of goals

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Section B

Question 5.

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 candidate's mental abilities related to reasoning, numerical skills, and problem-solving. It helps to determine if the person has the required intellectual capability for the job.
(b) Personality Test: This test evaluates the character, temperament, and behavior of the candidate

to see if they fit the company culture and can handle job stress. It helps in predicting how well a person will perform in the organizational environment.

Key Points: Aptitude test for mental abilities - Personality test for character and temperament - Helps select suitable candidates

Question 6.

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 direct payment of money. These incentives motivate employees by fulfilling their emotional and psychological needs rather than financial needs.
(b) Examples of two non-monetary incentives: 1. Recognition and Appreciation: Praising employees for their good work to boost their confidence and encourage better performance.
2. Promotion: Providing higher positions or responsibilities which increase the status and job satisfaction of employees.

Key Points: Non-monetary incentives do not involve money - Examples include recognition and promotion - They fulfill psychological and emotional needs

Question 7.

State any three benefits of training to the organisation.

[3 Marks]

Answer: Three benefits of training to the organisation are:
(a) **Improved Efficiency:** Training helps employees to gain necessary skills and knowledge which increases their productivity and efficiency.
(b) **Better Quality of Work:** Well-trained employees are able to perform their tasks accurately and with less errors, leading to better quality of products and services.
(c) **Reduced Supervision:** Training equips employees to work independently, which reduces the need for constant supervision and saves managerial time.

Key Points: Improved Efficiency - Better Quality of Work - Reduced Supervision

Question 8.

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

[3 Marks]

Answer: Factors Affecting Working Capital Requirements:

(a) Nature of Business: The type of business affects working capital needs. Manufacturing companies require more working capital than trading companies because they have to maintain raw materials, work-in-progress, and finished goods inventories.

(b) Production Cycle: Longer the production cycle, higher is the amount of working capital needed as funds are tied up for a longer period.

(c) Business Cycle: Working capital requirements fluctuate according to the business cycle. During boom periods, more working capital is needed due to increased production and sales, whereas in recession periods, lower working capital is required.

> **Key Points: Nature of business - Production cycle - Business cycle**

Question 9.

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 actual performance aligns with the planned objectives. It involves setting performance standards, measuring actual performance, and taking corrective actions if there are deviations. This process helps the organisation stay on track and achieve its goals efficiently.

(b) Controlling helps in judging accuracy of standards by comparing actual results with set standards. It identifies whether the standards are realistic or need adjustment. If deviations are frequent and large, it indicates the standards may be inaccurate and require revision to better suit organisational capabilities and environment.

> **Key Points: Ensures performance aligns with goals - Helps take corrective actions - Assesses if standards are realistic or need adjustment**

Section C

Question 10.

Explain the following consumer rights provided under the Consumer Protection Act,2019:

(i) Right to safety

(ii) Right to be informed

[5 Marks]

Answer: (i) Right to Safety: This right protects consumers from goods and services that are hazardous to their life and property. It ensures that the products they buy are safe for use and do not pose any risk. Manufacturers and service providers must ensure that their products meet safety standards and do not harm consumers.
(ii) Right to be Informed: This right gives consumers the access to complete information about the products or services they intend to buy. Consumers should be told about the quality, quantity, potency, purity, standard, and price of goods to make informed choices. Misleading advertisements or false information are prohibited under this right.

> **Key Points: Right to safety protects consumers from hazardous products - Ensures product safety standards - Right to be informed ensures consumers get complete and accurate information about products - Prevents misleading advertisements - Helps consumers make informed decisions**

Question 11.

State any five responsibilities that should be kept in mind by a consumer while purchasing and using/consuming goods and services.

[5 Marks]

Answer: Consumer Responsibilities:
(a) Be Informed: Consumers should gather all necessary information about the goods or services before making a purchase to ensure quality and price are suitable.
(b) Choose Wisely: They should compare products based on quality, price, and durability to make the best choice.
(c) Pay Honest Price: Consumers must pay the exact price of the product and avoid unethical practices like demanding illegal discounts.
(d) Use Products Carefully: Proper use and maintenance of goods increase their lifespan and ensure safety.
(e) Provide Feedback: Consumers should give feedback or complain to authorities if goods or services are defective or unfair, helping protect consumer rights.
These responsibilities help consumers make sensible decisions and promote fair trade practices.

> **Key Points: Be informed - Choose wisely - Pay honest price - Use products carefully - Provide feedback**

Question 12.

State any five functions of a 'Stock Exchange'.

[5 Marks]

Answer: Functions of a Stock Exchange:
1. **Providing Liquidity:** A stock exchange provides a platform where buyers and sellers can easily buy and sell securities, thus ensuring liquidity.
2. **Price Determination:** It helps in the determination of fair prices of securities through the forces of demand and supply.
3. **Raising Capital:** It facilitates companies to raise long-term capital by issuing shares and debentures to the public.
4. **Safety and Security:** It provides a regulated and secure environment for trading which protects investors against fraud.
5. **Economic Indicator:** The stock exchange acts as a barometer of the economy by reflecting the general economic conditions through stock price movements.

> **Key Points: Providing liquidity - Price determination - Raising capital - Safety and security - Economic indicator**

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) Identification of the function emphasized: The function of management emphasized by Gautam Natarajan is 'Staffing'.

(b) Importance of Staffing Function:
1. Right People at Right Place: Staffing ensures that the organisation has the right people for the right job to achieve its objectives effectively.
2. Organisational Success: Proper staffing leads to better performance, productivity, and ultimately helps the organisation succeed.
3. Fulfills Human Resources Needs: Staffing identifies, recruits, selects, trains, and develops human resources needed to fill positions.
4. Reduces Employee Turnover: By placing suitable persons, staffing reduces dissatisfaction and employee turnover.

5. Builds an Effective Team: Staffing helps in building a skilled, motivated, and cooperative workforce which helps the organisation grow.
Thus, staffing is critical as it focuses on managing the most valuable asset of the organisation, the human resources.

Key Points: Staffing function - Right people at right place - Organisational success - Recruitment and selection - Employee satisfaction

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, 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 is the **Capital Expenditure Decision**. This decision is concerned with investing funds in long-term assets like equipment, computers, and vehicles that will benefit the business over a long period. Such decisions impact the company's earning capacity and financial position in the future.
(b) Three factors affecting the capital expenditure decision are:
1. **Expected Return:** The company should analyze the potential returns from the investment to ensure it is profitable.
2. **Cost of Assets:** The price of purchasing assets should be reasonable and within the company's budget.
3. **Asset Life:** The useful life of the asset is important to determine how long it will generate benefits and justify the investment.
Other factors may include the availability of funds, risk involved, and the impact on business operations.

Key Points: Capital Expenditure Decision - Expected Return - Cost of Assets - Asset Life

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 in the above paragraph is the **Capital Structure Decision**. It involves determining the proportion of funds that should be raised through equity capital and debt.

(b) The three factors that should be kept in mind by the Board of Directors while taking capital structure decisions are:

1. **Cost of Capital**: The company should consider the cost of debt and equity to minimize the overall cost of capital.
2. **Financial Risk**: Higher debt increases financial risk due to fixed interest obligations. The directors should balance debt to avoid excessive risk.
3. **Company's Profitability and Cash Flow**: Adequate profitability and stable cash flow are necessary to meet debt repayments, so the decision should be based on the company's ability to generate sufficient earnings.

Other factors include the impact on control and ownership, market conditions, and future growth plans. These considerations will help the company decide the right mix of equity and debt to finance the new branches in Ahmedabad effectively.

> **Key Points: Capital Structure Decision - Cost of Capital - Financial Risk - Profitability and Cash Flow**