Roll No. ☐☐☐☐☐☐☐☐

Q.P. Code 66/1/1

BUSINESS STUDIES – TERM II

CBSE Class XII Board Examination 2022 (Term 2) — with answers

Time allowed: 2 hours **Maximum Marks: 40**

General Instructions:

1. The paper has 12 questions and all of them must be answered.
2. Q1–4 carry 2 marks each (short answers of about 30–50 words); Q5–8 carry 3 marks each (short answers of about 50–80 words); Q9–12 carry 5 marks each (long answers of about 80–120 words).
3. There is no overall choice, but one 3-mark question and two 5-mark questions offer an internal choice; answer only one alternative in those.
4. Some questions are case/source based.

QUESTIONS

Q1–4: 2 marks each · Q5–8: 3 marks each · Q9–12: 5 marks each.

1. In the staffing process, at which step is the selected person handed charge of the job and made familiar with his/her seniors, juniors and co-workers? Name the step and state it. **2**

ANSWER

Placement and Orientation.

Identify (1 mark): Placement and Orientation.
State (1 mark): Placement means the new employee actually takes up the post for which he/she was chosen. Orientation means introducing the newcomer to the people he/she will work with (superiors, subordinates, colleagues) and making him/her familiar with the organisation's rules and policies.
Common mistake: writing only 'Induction training' or 'Selection' – selection ends with the appointment letter; handing over the job comes after it.

2. On 27 January 2022 one branch of KLM Bank Ltd. suddenly ran short of cash. The directors decided the same day to borrow from another bank for two days so that the bank could keep up its cash reserve ratio.
Name and explain the money market instrument KLM Bank Ltd. used for this short-term need. **2**

ANSWER

Call Money.

Identify (1 mark): Call Money.
Explain (1 mark): Call money is very short-term borrowing between banks (usually from one day up to about fifteen days), used mainly by banks to keep their cash reserve ratio. The interest charged on it is the call rate, which can change sharply from day to day.
Clue in the case: bank-to-bank borrowing, for two days, to maintain CRR.

3. What does 'Communication' mean as an element of directing? **2**

ANSWER

Communication is the exchange of information (ideas, facts, feelings) between two or more persons to reach a common understanding.

Meaning (2 marks): Communication is the process by which information, ideas and feelings are passed from one person to another (or among several persons) so that both sides arrive at a shared understanding.
In directing, it is the tool through which a manager tells subordinates what to do and also receives their feedback.
Key words to include: 'exchange of information' and 'common understanding'.

4. Which function of management makes sure that the resources of the organisation are used effectively and efficiently to reach goals already decided? Identify and state it. **2**

ANSWER

Controlling.

Identify (1 mark): Controlling.
State (1 mark): Controlling is the management function that ensures work in the organisation goes according to plan – actual performance is compared with set standards, deviations are found and corrective action is taken where needed, so that resources are used properly to achieve the goals.

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5. Nandita Srivastava is HR Manager of 'TM Infrastructure Ltd.', one of India's largest construction companies, handling projects worth over ₹18,000 crore. She finds and hires suitable people for different posts. To measure certain traits of the applicants and predict for which job each would succeed, she has to conduct a set of selection tests suitable for each post. **3**

Explain any two types of selection tests she may conduct to select the most suitable persons.

ANSWER

Any two of: Intelligence test, Aptitude test, Personality test, Trade test, Interest test.

Each test: ½ mark for the name + 1 mark for explanation (1½ × 2 = 3).
1. Intelligence test: measures the level of intelligence (IQ) of a person – his/her mental ability to learn, make decisions and adjust.
2. Aptitude test: measures the potential of a person to learn new skills, i.e. the capacity to develop in future.
3. Personality test: gives clues to the person's emotions, reactions, maturity and value system – the overall personality.
4. Trade test: measures the existing skills and knowledge of the person (what he/she can already do), compared with the job's needs.
5. Interest test: finds out the pattern of interests or involvement of a person.
Tip: aptitude = future potential; trade test = present skill – do not mix them up.

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6. What are non-monetary incentives? State any two non-monetary incentives. **3**

ANSWER

Incentives that give psychological/emotional satisfaction rather than money; e.g. Status, Job security (also: organisational climate, career advancement, job enrichment, employee recognition, participation, empowerment).

Meaning (1 mark): Non-monetary (non-financial) incentives are rewards that satisfy the psychological, social and emotional needs of employees instead of giving them money.
Any two (1 mark each):
1. Status – the rank of a position, shown by authority, responsibility, recognition and prestige; it satisfies esteem needs.
2. Organisational climate – the features of an organisation (e.g. freedom, reward orientation, consideration for employees) that shape how people behave there.
3. Career advancement opportunity – chances to develop skills and get promoted.
4. Job enrichment – designing jobs with more variety, challenge and higher skill use.
5. Employee recognition programmes – openly appreciating good work.
6. Job security – stability of job and future income.
7. Employee participation – involving workers in decisions that affect them.
8. Employee empowerment – giving more autonomy and power to subordinates.
(Only listing the points earns ½ mark each.)

OR

State any three benefits that training gives to the organisation.

ANSWER

Less wastage of effort and money; higher productivity and profits; prepares future managers; better morale, lower absenteeism and turnover; quicker response to changing environment (any three).

Any three (1 mark each):
1. Training is systematic learning, so it avoids the wastage of effort and money that trial-and-error learning causes.
2. It raises employee productivity in quantity and quality, which increases profits.
3. It prepares future managers who can take over in an emergency.
4. It improves employee morale and reduces absenteeism and employee turnover.
5. It helps the organisation respond effectively to fast-changing economic and technological conditions.
Common mistake: writing benefits to the employee (better career, higher earnings) – the question asks for benefits to the organisation.

7. State any three factors that affect the working capital requirement of a company. **3**

ANSWER

Any three of: nature of business, scale of operations, business cycle, seasonality, production cycle, credit allowed, credit availed, operating efficiency, availability of raw material, growth prospects, level of competition, inflation.

Any three (1 mark each):
1. Nature of business – a trading firm needs less working capital than a manufacturing firm; service firms with no inventory need even less.
2. Scale of operations – larger operations need more working capital.
3. Business cycle – more working capital in a boom (higher sales/production), less in a depression.
4. Seasonal factors – more in the peak season, less in the lean season.
5. Production cycle – a longer production cycle needs more working capital.
6. Credit allowed – a liberal credit policy to customers raises debtors and so raises working capital need.
7. Credit availed – credit from suppliers reduces the need.
8. Operating efficiency – efficient firms keep lower stocks and debtors, needing less.
9. Availability of raw material – easy, continuous supply lowers the need; long delivery lags raise it.
10. Growth prospects – higher growth needs more working capital.
11. Level of competition – more competition means bigger stocks to meet urgent orders.
12. Inflation – rising prices raise the working capital needed.

(Only listing earns ½ mark each.)

8. Explain how controlling helps in (i) achieving organisational goals and (ii) judging whether the standards are accurate. **3**

ANSWER

(i) It highlights deviations and suggests corrective action, keeping the organisation on track to its goals. (ii) It helps review and revise standards in line with organisational and environmental changes.

(i) Accomplishing organisational goals (1½ marks): controlling measures progress, brings deviations to light and points to the corrective action needed. It thus guides the organisation and keeps it moving in the right direction towards its goals.
(ii) Judging accuracy of standards (1½ marks): a good control system lets management check whether the standards set are accurate and realistic. By keeping an eye on changes inside the organisation and in the environment, standards can be reviewed and revised when necessary.

9. Explain these consumer rights given under the Consumer Protection Act, 2019: **5**

(i) Right to safety

(ii) Right to be informed

ANSWER

(i) Protection against goods and services hazardous to life, health and property. (ii) Right to full information about a product (ingredients, date of manufacture, price, quantity, directions for use etc.).

(i) Right to safety (2½ marks):

• The consumer has the right to be protected against goods and services that are dangerous to life, health and property (e.g. faulty electrical appliances, sub-standard medicines).

• Consumers are advised to buy standardised products (ISI, AGMARK etc.), as these assure that quality specifications are met.

(ii) Right to be informed (2½ marks):

• The consumer has the right to complete information about the product he/she wants to buy – its ingredients, date of manufacture, price, quantity, directions for use and so on.

• This is why the law requires such information to be printed on the package and label.

OR

State any five responsibilities a consumer should keep in mind while buying and using goods and services.

ANSWER

Any five: be aware of products; buy standardised goods; learn risks and follow instructions; read labels; assert for a fair deal; be honest/avoid illegal goods; ask for cash memo; file complaints; form consumer societies; respect the environment.

Any five (1 mark each):

1. Be aware of the different goods and services available so that a wise choice can be made.
2. Buy only standardised goods (ISI, AGMARK, FPO, Hallmark) as they assure quality.
3. Learn the risks attached to products, follow the maker's instructions and use them safely.
4. Read labels carefully for price, net weight, manufacturing and expiry dates.
5. Assert yourself to get a fair deal.
6. Be honest – choose only legal goods and services and discourage unfair practices such as black-marketing.
7. Ask for a cash memo, which is proof of purchase.
8. File a complaint in the proper consumer commission if goods or services are defective.
9. Form consumer societies to educate consumers and protect their interests.
10. Respect the environment – avoid waste, littering and pollution.

(Only listing earns ½ mark each.)

10. State any five functions of a stock exchange. **5**

ANSWER

Liquidity and marketability to securities; price determination; safety of transactions; contribution to economic growth; spreading equity cult; providing scope for speculation (any five).

Any five (1 mark each):

1. Liquidity and marketability – investors can sell (disinvest) and buy (reinvest) existing securities easily.
2. Pricing of securities – prices are set by demand and supply forces on the exchange.
3. Safety of transactions – the exchange is well regulated under a legal framework, ensuring a fair deal to investors.
4. Contribution to economic growth – through disinvestment and reinvestment, savings flow into the most productive investments.
5. Spreading equity cult – by regulating new issues, improving trading practices and educating the public about investing.
6. Scope for speculation – healthy speculation is allowed within the law, in a controlled manner, which supports liquidity and price discovery.

(Only listing earns ½ mark each.)

11. Gautam Natarajan founded 'Brewed Beans Coffee', a chain of 21 filter-coffee outlets in South India. He believes people are an organisation's most important asset – the right people take a business to the top, the wrong ones can break it. So he regards the management function of filling the positions in the organisation structure as the most critical one for performance. **5**

(a) Which function of management does Gautam stress?

(b) State any four points of importance of this function.

ANSWER

(a) Staffing. (b) Gets competent people; right person for right job; survival and growth through succession planning; optimum use of human resources; better job satisfaction and morale.

(a) Identify (1 mark): Staffing – the function of filling and keeping filled the positions in the organisation structure. Clue: 'fills the various positions in the organisation structure'.

(b) Importance – any four (1 mark each):

1. Helps discover and obtain competent people for various jobs.
2. Leads to higher performance by placing the right person on the right job.
3. Ensures continuous survival and growth of the enterprise through succession planning for managers.
4. Ensures optimum use of human resources by avoiding over-staffing and under-use of staff.
5. Improves job satisfaction and morale through fair assessment and reward of employees' contribution.

(Only listing earns ½ mark each.)

12. News reader Anurag Tiwari has started 'Axis Media Corporation Ltd.' to launch a 24-hour Hindi news channel. The company must decide how to invest funds in assets such as equipment, computers and vehicles – this commits money for a long period and affects the firm's earning capacity in the long run, so it must be decided with great care. **5**

(a) Identify and state the type of investment decision described.

(b) State any three factors that affect this decision.

ANSWER

(a) Long-term investment decision (Capital budgeting). (b) Cash flows of the project; rate of return and risk; investment criteria involved.

(a) Identify (1 mark): Long-term investment decision, also called capital budgeting.

State (1 mark): It is the decision to commit funds for a long period in fixed assets, which affects the earning capacity of the business in the long run.

(b) Factors (1 mark each, any three):

1. Cash flows of the project – the series of cash receipts and payments over the project's life must be analysed carefully before deciding.
2. Rate of return – the expected return from each proposal, together with the risk involved, is assessed.
3. Investment criteria involved – various capital-budgeting techniques are used to evaluate proposals on the basis of amount of investment, interest rate, cash flows and rate of return.

Common mistake: writing factors of working capital – the case is about fixed (long-term) assets.

OR

'Reliable Labs Ltd.', a diagnostic company with seven branches in Pune, expects demand for tests to rise with growing health awareness and chronic disease. It decides to open branches in Ahmedabad, needing ₹100 crore of extra funds. The directors must decide how much to raise through equity and how much through debt, which will affect the overall cost of capital and the company's financial risk.

(a) Identify and state the financial decision described.

(b) State any three factors the Board should keep in mind while taking this decision.

ANSWER

(a) Financing decision. (b) Any three: cost, risk, floatation cost, cash flow position, fixed operating cost, control considerations, state of capital market.

(a) Identify (1 mark): Financing decision.

State (1 mark): It is the decision about how much finance to raise from the various long-term sources (equity, debt etc.), i.e. the mix of owners' and borrowed funds.

(b) Factors (1 mark each, any three):

1. Cost – different sources cost differently; a prudent manager prefers the cheapest.
2. Risk – each source carries a different level of risk (debt has fixed interest and repayment obligations).
3. Floatation cost – the higher the cost of raising funds from a source, the less attractive it is.
4. Cash flow position – strong cash flows make debt more viable than equity.
5. Fixed operating cost – a business with high fixed operating costs should keep fixed financing costs (debt) low.
6. Control considerations – issuing more equity can dilute management's control; debt does not.

7. State of capital market – a rising market makes equity issues easier; a depressed market makes them difficult.
(Only listing earns ½ mark each.)

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Questions restated from the CBSE Class XII Board Examination 2022 (set 66/1/1) for practice. Reading passages and map items are described, not reproduced.