

SAMPLE QUESTION PAPER -3
BUSINESS STUDIES (054)
TERM II (2021-22)
Class XII

Time Allowed: 2 Hours

Maximum Marks: 40

1. A company is manufacturing paper plates and bowls. It produces one lakh plates and bowls every day. Due to a forthcoming local festival, it has got an urgent order of extra 5000 plates. Advise how the company will fulfil its order and which method of recruitment will you suggest. 2
- Ans.** In order to complete the order on time, the company should recruit more people immediately. The most suitable method of recruitment in this case will be labour contractor. These contractors maintain close contact with the workers and also provide the required number of unskilled workers at a short notice.
2. "Stock markets impart liquidity to investments." Comment. 2
- Ans.** Stock markets are the markets in which existing securities are bought and sold. The primary function of stock markets is to provide ready and continuous market for securities. It ensures easy liquidity of the securities held by investors. The presence of stock exchange is an assurance to the investors that their investments can be converted into cash as and when required by them.
3. Explain briefly 'transfers' and 'promotions' as internal sources of recruitment. 2
- Ans. Transfers:** Transfer means shifting an employee from one job/shift/department to another without any major change in his status, salary and responsibilities.
- Promotions:** Promotion means shifting an employee to a higher job/position carrying higher status, salary and responsibilities.
4. Explain how controlling helps in:
- (i) Accomplishing organisational goals and (ii) Judging accuracy of standards 2
- Ans.** (i) Controlling measures progress towards the organisational goals and reveals deviations, if any. Suitable and timely corrective action can then be taken to achieve the organisational goals.
- (ii) Controlling helps in judging the accuracy of standards. It reviews and revises the standards in case these are too high or too low.
5. Arun is working in a multinational company in Gurgaon. He was running temperature for the last many days. When his blood was tested, he was found positive for dengue with a very low platelet count. Therefore, he was admitted in the hospital and a blood transfusion was advised by the doctors. One of his colleagues sent a text message about it to his immediate superior Mr. Narain. Mr. Narain, in turn, sent a text message to the employees of the organisation requesting them to donate blood for Arun. When the General Manager came to know about it, he ordered for fumigation in the company premises and cleanliness of the surroundings.
- (a) From the above para, quote lines that indicate formal and informal communication.
- (b) State any two features of informal communication. 3
- Ans. (a) Formal communication:** "When the general manager came to know about it, he ordered for fumigation in the company premises and cleanliness of the surroundings".
- Informal communication**– "One of his colleagues sent a text message about it to his immediate superior Mr. Narain". Or "Mr. Narain in turn sent a text message to the employees to the organisation requesting them to donate blood for Arun".
- (b) **Features of informal communication:**
- (i) It arises out of the social needs of employees.
- (ii) It spreads fast as it has not to follow the formal lines of communication.
6. Nishant, the director of a garment company, is planning to manufacture bags for the utilisation of waste material from one of his garment units. He has decided that this manufacturing unit will be set up in a rural area of Odisha where people have very few job-opportunities and labour will be available at very low rates. He has also thought of giving equal opportunities to men and women.
- For this he wants four different heads for Sales, Accounts, Purchase and Production. He gives an advertisement and shortlists ten candidates per post conducting different selection tests.
- Identify and explain the next three steps for choosing the best candidate out of the candidates short-listed. 3

OR

'I-phone India Ltd.' is a manufacturer of advanced category of mobile phones. The company trained its engineers in Japan. It markets its mobile phones domestically as well as internationally. The company had a substantial market share and had a loyal customer following because of quality of its i-phone. From the last financial year, the company had been unable to achieve its targets because of competition in the market. The company is planning to revamp its controlling system.

- (i) Identify the concepts of management involved in the above para.
- (ii) State the steps of the revamped controlling process to be followed by the company to solve this problem.

Ans. The next three steps for choosing the best candidate are as under:

- (a) **Selection interview** which is conducted to judge the candidate's suitability for the job.
- (b) **Reference check** to verify the information obtained and to collect additional information about the candidate.
- (c) **Final choice** to select the most suitable candidate.

OR

- (i) Staffing and Controlling.
- (ii) The two steps which must be followed by the company to solve this problem are:

- (a) Analysing deviations
- (b) Taking corrective action

7. The Return on Investment (ROI) of a company ranges between 10-12% for the past three years. To finance its future fixed capital needs, it has the following options for borrowing debt:

Option 'A': Rate of interest 9%; Option 'B': Rate of interest 13%

Which source of debt, 'Option A' or 'Option B', is better? Give reason in support of your answer. Also state the concept being used in taking the decision. 3

Ans. Option 'A' is better. This is because in this option, Return on Investment (10-12%) is higher than the Rate of interest (9%).

The concept being used in taking the decision is Trading on Equity

Trading on equity refers to the use of fixed cost sources of finance such as preference shares, debentures and long term loans in the capital structure so as to increase the return on equity shares.

8. Aarav was working as a supervisor with 'Neer Purifier Ltd' which was producing water purifiers. The target of the company was to produce 200 water purifiers every day. His job was to make sure that work goes on smoothly and there was no interruption in production. To achieve this he always gives orders and insists that they are obeyed. He believes that reward or punishment both can be given depending upon the performance. Identify and describe the leadership style being adopted by Aarav. 3

Ans. Authoritative style of leadership.

This style has the following features:

- (i) The leader takes all the decisions without consulting his subordinates.
 - (ii) The subordinates are required to obey the leaders's orders without any objection.
 - (iii) There is only one way (downwards) communication.
 - (iv) The leader does not change or is dogmatic.
9. Aarushi buys a packet of dry cake from a cake shop without asking for the bill. The pack does not bear any information other than the name of shop. After reaching home she finds the cake to be stale.
- (a) Identify the consumer right that has been violated.
 - (b) State any four responsibilities that a consumer must keep in mind while purchasing any good. 5

OR

Piyali purchased an ISI marked Heater from Bharti Appliances. She made Cash Payment. But failed to get a Cash Memo. While making use of the heater she observed that it was not working properly. She contacted the shopkeeper immediately and told him the problem. Shopkeeper paid no heed to her complaint. Rather he marked that the good in question was not bought from his shop. Piyali had no evidence of proving that the heater was purchased from



his shop only. She discussed the problem with her friend Sohini who advised her to approach Consumer Forum and lodge the complaint. Piyali was convinced with the idea of lodging the complaint against the shopkeeper but due to lack of cash memo it was difficult for her to proceed.

- (i) Identify the Right of the consumer as referred to in the above paragraph.
- (ii) Identify the responsibility of the consumer referred in the above case.
- (iii) Piyali can not lodge a complaint against the shopkeeper. Why?
- (iv) Under which Act Piyali can seek to protect her rights being a consumer?

Ans. (i) Right to Information

(ii) Consumer Responsibilities (Any four) :

- (a) Be aware about various goods and services available in the market so that an intelligent and wise choice can be made.
- (b) Buy only standardised goods as they provide quality assurance. Thus, look for ISI mark on electrical goods, FPO mark on food products, Hallmark on jewelry etc.
- (c) Learn about the risks associated with products and services, follow manufacturer's instructions and use the products safely.
- (d) Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc.
- (e) Assert yourself to ensure that you get a fair deal.
- (f) Be honest in your dealings. Choose only from legal goods and services and discourage unscrupulous practices like black-marketing, hoarding etc.
- (g) Ask for a cash memo on purchase of goods or services. This would serve as a proof of the purchase made.

OR

(i) (c) Right to be Heard

(ii) (b) Must Obtain Cash Memo

(iii) (c) She does not have the Cash Memo

(iv) (a) Consumer Protection Act, 2019

10. Explain the term 'Trading on Equity'. Why, when and how it can be used by a business organisation? **5**

Ans. Trading on equity means increase in profit earned by the equity shareholders due to presence of the debt and preference share capital in the capital structure. Consider the following cases:

Example	Company A	Company B
Share capital	50,00,000	25,00,000
12% loan	—	25,00,000
	50,00,000	50,00,000
Profit before interest and tax (rate of interest 12%)		
Interest	10,00,000	10,00,000
Profit before tax	—	3,00,000
Tax @ 40%	10,00,000	7,00,000
Profit after tax	4,00,000	2,80,000
	6,00,000	4,20,000

Rate of return on share capital

$$= \frac{6,00,000}{50,00,000} \times 100 = 12\%, \quad \frac{4,20,000}{25,00,000} \times 100 = 16.8\%$$

Thus, shareholders of company B get a higher return on share capital than those of company A due to loan component in the capital employed of company B.

A Company can use trading on equity because it increases earnings per share (EPS). Trading on equity is desirable so long as the return on investment or rate of earnings is greater than the rate of interest and preference dividend. An increase in debt raises the financial risk. Ideally, a company must choose that combination of risk and return which maximises the shareholders' wealth.

11. Explain in brief off-the-job methods of training.

5

Ans. Off-the-job methods of training are given below:

- (i) **Lectures:** Class room lectures are used to convey specific information, rules and procedures. Audio-visuals are used to make lectures more interesting.
- (ii) **Case Study:** A case is an attempt to describe a real life problem that managers face. Trainees study the written case, identify and analyse problems and develop alternative solutions.
- (iii) **Films:** Films help to provide information and demonstrate skills that cannot be easily presented in lectures. Films in conjunction with conference can be a very effective method.
- (iv) **Computer modelling:** In this method, work environment is simulated in a computer programme. It reduces the risk of mistakes that are made in real life situation.
- (v) **Vestibule training:** In this method, actual work environment is created in a class room. The trainees learn on the equipment they will use after training. This method is costly and it is used in case of sophisticated machinery and equipment.
- (vi) **Programmed instruction:** In this method, information is broken into meaningful units. These units are arranged properly to form a logical and sequential learning package. The trainee goes through these units by answering questions or filling the blanks.

12. What are Depository Services and Demat Account?

5

OR

State any five regulatory functions of Securities and Exchange Board of India.

Ans. Depository Services: A depository is the institution where the investor can deposit his shares/debentures in electronic form and withdraw the same. National Securities Depository Limited (NSDL) and Central Depository Limited (CDL) are the two main depositories in India. A depository operated through Depository Participants (DPs) with which the investor has to open a D'mat Account. An investor interacts only with DP and not with the depository for all his transactions in shares in electronic form. Depositories provide the following services to the investors.

- (i) Maintains records of shareholding in electronic form.
- (ii) Enables surrender and withdrawal of securities to and from the depository through the process of dematerialization and rematerialization.
- (iii) Effects the settlement of securities traded in the depository mode on a stock exchange.
- (iv) Carries out off-market trades i.e., the trade settlements not done on a stock exchange.

Abhipra Capital is an example of a DP.

Demat Account: Demat account means an account which an investor in shares and other securities opens with a DP to keep his securities in dematerialized or electronic form. The investor can keep all his holding in shares, debentures, bonds, etc in one demat account. He can withdraw the securities whenever he sells them. Similarly, he can deposit the securities in his demat account from time to time whenever he buys them. The investor can close his demat account after selling all his holdings in securities.

OR

Five regulatory functions of Securities and Exchange Board of India are as follows:

- (i) Registration of brokers and sub brokers and other players in the market.
- (ii) Registration of collective investment schemes and mutual funds.
- (iii) Regulation of stock brokers, portfolio exchanges, underwriters and merchant bankers.
- (iv) Regulation of takeover bids by companies.
- (v) Calling for information by undertaking inspection, conducting enquiries and audit of stock exchanges and intermediaries.

