

Answer Key
Business Studies XII Set 3
Session 2021-22

	Two markers	
1.	Gujrat Textiles Limited is using “Private Placement”, as a method of equity issue. Private placement is when a company allots securities to institutional investors and some selected individuals. When a company does not want to involve itself in several formalities of an “Offer through prospectus”, it can sell the equity to a specific set of institutional investors. It saves itself from time and expenses that “Offer through prospectus” involves.	2
2.	The function is “Controlling”. It is the process of comparing the actual performance against the targeted performance, identifying the deviations, if any and then rectifying it. Planning and controlling are inseparable twins of management. In the absence of “controlling”, planning will be futile.	2
3.	“Free rein” style of leadership is when the manager gives complete freedom to her team to complete the assigned task in their own way and pace. The manager supplies the needed resources and the subordinates are expected to complete the task efficiently and effectively. This style of leadership is gaining popularity but it requires competent subordinates to make it beneficial.	2
4.	The step is “Recruitment”. It is a positive process that invites the eligible candidates to apply for existing vacancies in an organization. Through recruitment, an organization is able to create a pool of prospective applicants out of which the right candidates can be selected.	2
	3 Markers	
5.	Through controlling, a watch is kept on the way the resources are used, both human as well as non-human resources. Any deviation from the expected or targeted performance is quickly identified on time and a corrective action is taken. Thus Controlling ensures that all resources are used optimally. When superiors keep a check on the performance of the subordinates, guide them, the subordinates are motivated as they feel their worth in helping the organization achieve its goals.	3
6.	The training method to be used by the Oberoi’s Airlines Pvt Ltd is “Vestibule training”. This training involves creating an identical set up as	3

	the real factory setting. So in this case a dummy aircraft will be the training centre. The trainee pilots can learn the intricacies of the job here under expert trainers. This method saves the expensive equipments and devices from damage by trainees. But it is an expensive method.	
7.	<p>Financial Incentives- Incentive means all the measures which are used to motivate people to improve performance. In order to motivate the human resources, companies use different financial and non-financial incentives. Financial incentives refer to incentives which are in direct monetary form or measurable in monetary term.</p> <p><u>Productivity linked wage incentives:</u></p> <p>Several wage incentive plans aim at linking payment of wages to increase in productivity at individual or group level.</p> <p><u>Bonus:</u> Bonus is an incentive offered over and above the wages/salary to the employees.</p> <p>Pay and allowances, profit sharing, Co-partnership, Stock option are some other financial incentives.</p> <p style="text-align: center;">OR</p> <p>Benefits of training to employees-</p> <ol style="list-style-type: none"> 1. Better job prospects- as there is a dearth of trained manpower, training improves employability of the employees. 2. 'Higher earning- After training, the earning capacity of the employees improves. 3. Reduced chance of mishaps-Training makes the employee more efficient to handle machines. Thus, less prone to accidents. 	3
8.	<p><u>Factors affecting dividend decision-</u></p> <ol style="list-style-type: none"> 1. Amount of Earnings: - In general, the higher the earning of a company, the higher rate of dividend may be expected. 2. Cash Flow Position: Availability of enough cash in the company is necessary for declaration of dividend. So if the cash position will be strong, the higher dividend may be expected. 3. Growth Opportunities: Companies with good growth opportunities will retain more money to finance the required investment. The dividend in growth companies is, therefore, smaller, than that in the non- growth companies. <p>Some other factors could be- Taxation policy, shareholders' preferences, stock market reactions, access to capital markets etc.</p>	3
	5 Markers	
9.	Consumer rights-	5

	<p><u>Right to seek redressal</u>- According to this right, a consumer has a right to get relief against unfair trade practice or restrictive trade practices or unscrupulous exploitation in case the product or a service falls short of his expectations. The Consumer Protection Act 2019 provides for redressal to the consumers including replacement of the product, removal of defect in the product, compensation paid for any loss or injury suffered by the consumer, etc.</p> <p><u>Right to safety</u>- A consumer has a right to be protected against goods and services that can be hazardous to the lives and property of the consumers. No firm should supply products or services that may prove dangerous to the life and property of the consumers. For example, medicines must have complete information so that consumer may consume it with full caution.</p> <p style="text-align: center;">OR</p> <p>Consumer responsibilities-</p> <ol style="list-style-type: none"> 1. Be aware about various goods and services available in the market. 2. Buy only standardised goods 3. Insist on a cash memo 4. Learn about the risks associated with products and services, follow manufacturer's instructions. 5. Read labels carefully 6. Assert yourself a fair deal 7. Be honest in your dealings 8. File a complaint 9. Form consumer societies 10. Respect environment <p style="text-align: center;">(Any five)</p>	
10.	<p><u>Commercial papers</u>- Commercial paper is a short-term unsecured promissory note, negotiable and transferable by endorsement and delivery with a fixed maturity period. It is issued by large and creditworthy companies to raise short-term funds at lower rates of interest than market rates. It usually has a maturity period of 15 days to one year.</p> <p><u>Treasury bills</u>- Popularly known as T bills, these are issued by the RBI on behalf of the central Government to meet its short-term requirement of funds. They are issued for a period up to one year. Treasury bills are issued in the form of a promissory note. They are highly liquid and have assured yield and negligible risk of default. The value of one T bill is ₹25,000. They are also known as zero coupon bond as they are issued at a discount and redeemed at par.</p>	5
11.	<p>a.) Recommendations of Employees: Applicants introduced by present employees, or their friends and relatives may prove to be a good source of recruitment.</p>	5

	<p>b. Advantages of external sources of recruitment-</p> <p>Competent personnel –suitably qualified people can be recruited and selected.</p> <p>Wider choice- the number of recruits can be large to make selection effective.</p> <p>Newer ideas- new employees come with newer and fresh idea and infuse new blood into the sytem.</p> <p>Competitive spirit- New people need to prove themselves and they work harder, giving competition to existing employees.</p>	
12.	<p>i. Financing decision-</p> <p>ii. Four factors affecting financing decision-</p> <ol style="list-style-type: none"> Cost Floataction cost Risk Cash flow position Fixed operating costs Control consideration State of Capital Market <p>(Any four to be explained)</p> <p>OR</p> <p>Investment decision- has been discussed in the case given. Myra Ltd can invest in any of the available projects. The decision to invest will be based on the following factors-</p> <p><u>Cash flow of the project-</u> With different projects at hand, each one will generate some cash flow. The amount of these cash flows should be carefully analysed before considering a capital budgeting/ investment decision.</p> <p><u>Rate of return-</u> The expected returns from each proposal are calculated and the assessment of the risk involved is done. Generally, the firm will go with the project that gives highest return with minimum risk.</p> <p><u>The investment criteria involved:</u> The decision to invest in a particular project involves a number of calculations regarding the amount of investment, interest rate, cash flows and rate of return. There are different techniques to evaluate investment proposals such as Net present value, Internal rate of return etc.</p> <p><u>(Any two factors)</u></p>	1+4

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