

# Solved Paper 2022

## BUSINESS STUDIES (TERM-II)

### Class-XII

Time : 2 Hours

Max. Marks : 40

#### General Instructions :

1. This question paper contains of 12 questions.
2. Question number 1-4 are of 2 marks. These are short-answer type questions and are to be answered in 30-50 words.
3. Question number 5-8 are of 3 marks. These are short-answer type questions and are to be answered in 50-80 words.
4. Question number 9-12 are of 5 marks. These are long-answer type questions and are to be answered in 80-120 words.
5. There is no overall choice in the question paper. However internal choice has been given in 1 question of 3 marks and 2 questions of 5 marks each.
6. This question paper contains case/source based questions.

Series : AB5CD/5, Delhi Set-I

66/5/1

1. 'Estimating manpower requirements is not merely knowing how many persons we need.' What else is needed while estimating manpower requirements? State any two points. 2  
**Ans.** Understanding the manpower requirements would necessitate:
  - (a) Workload analysis would enable an assessment of the number and types of human resources necessary for the performance of various jobs and accomplishment of organisational objectives.
  - (b) Workforce analysis would reveal the number and types of workers available.
  - (c) While estimating man power requirements it is important to translate the manpower requirements into specific job description and the desirable profile of its occupant — the desired qualifications, experience, personality characteristics and so on. This information becomes the base for looking for potential employees. (Any two)
2. 'Due to various malpractices and multiplied investors grievances the Govt. of India decided to set-up a separate regulatory body to protect the interest of investors and to regulate the securities market.' 2
  - (a) Identify the regulatory body set-up by Govt. of India for the above stated purpose.
  - (b) State any one objective of the regulatory body identified in (a) above.  
**Ans.** (a) SEBI (Securities and Exchange Board of India)  
(b) **Objectives of SEBI:** The overall objective of SEBI is to protect the interests of investors and to promote the development of, and regulate the securities market. This may be elaborated as follows:
  - (i) To regulate stock exchanges and the securities industry to promote their orderly functioning.
  - (ii) To protect the rights and interests of investors, particularly individual investors and to guide and educate them.
  - (iii) To prevent trading malpractices and achieve a balance between self-regulation by the securities industry and its statutory regulation.
  - (iv) To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers etc., with a view to making them competitive and professional. (Any one)
3. 'External sources of recruitment may lead to dissatisfaction and frustration among existing employees. They may feel that their chances of promotion are reduced.' Give two situations when external sources may be used without dissatisfying the existing employees. 2  
**Ans.** Two situations when external sources may be used without dissatisfying the existing employees are as follows:
  - (a) When new firm is about to start then they need to appoint the employees from external sources. Since there will be no existing employees as the firm is just new so there will be no dissatisfaction among the existing employees.
  - (b) When a firm is looking for some specific qualifications, talent or skilled person which is not present in the existing employees, then external sources of recruitment can be used by the firm to appoint the employees. The present employees may be insufficient or they may not

fulfill the specifications of the jobs to be filled then also external sources of recruitment can be used by the organisations.

4. "The final step in the controlling process is taking corrective action, but when deviations are within acceptable limits no corrective action is required."

When and why corrective action is required?

State. 2

**Ans.** The final step in the controlling process is taking corrective action. No corrective action is required when the deviations are within acceptable limits.

**When:** However, when the deviations go beyond the acceptable range, especially in the important areas, it demands immediate managerial attention so that deviations do not occur again and standards are accomplished.

**Why:** A corrective action plan outlines what is needed to solve a problem and helps a company to meet its goal.

5. Agrima, Arunima and Avika are pursuing MBA from a reputed institution. Now it is the time of their placement.

Agrima wants to work in a company which would provide her more authority for fulfilling her duties and will give recognition, rewards, perquisites and prestige of job.

Arunima wants to work in an organisation in which behaviour of individuals is influenced by its characteristics like autonomy, reward orientation, consideration to employees, risk taking etc.

Avika wants to join the organisation which has appropriate skill development programmes and sound promotion policy that encourages employees to exhibit improved performance.

Identify and state the incentives about which Agrima, Arunima and Avika are talking about. 3

**Ans.** Agrima is talking about the incentive employee recognition. Most people have a need for evaluation of their work and due recognition. They feel that what they do should be recognized by others concerned. Recognition means acknowledgment with a show of appreciation. When such appreciation is given to the work performed by employees, they feel motivated to perform/work at higher level.

Arunima is talking about the incentive job enrichment. Job enrichment is concerned with designing jobs that include greater variety of work content, require higher level of knowledge and skill; give workers more autonomy and responsibility; and provide the opportunity for personal growth and a meaningful work experience. If jobs are enriched and made interesting, the job itself becomes a source of motivation to the individual.

Avika is talking about the incentive employee empowerment. Empowerment means giving more autonomy and powers to subordinates. Empowerment makes people feel that their jobs are important. This feeling contributes positively to the use of skills and talents in the job performance.

6. (a) State any three points of importance of 'Controlling' function of management. 3

OR

- (b) State any three points of importance of 'Directing' function of management. 3

**Ans.** (a) Importance of controlling function of management:

- (i) **Accomplishing organisational goals:** The controlling function measures progress towards the organisational goals and brings to light the deviations, if any, and indicates corrective action. It, thus, guides the organisation and keeps it on the right track so that organisational goals might be achieved.
- (ii) **Judging accuracy of standards:** A good control system enables management to verify whether the standards set are accurate and objective. An efficient control system keeps a careful check on the changes taking place in the organisation and in the environment and helps to review and revise the standards in light of such changes.
- (iii) **Making efficient use of resources:** By exercising control, a manager seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with predetermined standards and norms. This ensures that resources are used in the most effective and efficient manner.
- (iv) **Improving employee motivation:** A good control system ensures that employees know well in advance what they are expected to do and what are the standards of performance on the basis of which they will be appraised. It, thus, motivates them and helps them to give better performance.
- (v) **Ensuring order and discipline:** Controlling creates an atmosphere of order and discipline in the organisation. It helps to minimise dishonest behaviour on the part of the employees by keeping a close check on their activities.
- (vi) **Facilitating coordination in action:** Controlling provides direction to all activities and efforts for achieving organisational goals. Each department and employee are governed by predetermined standards which are well coordinated with one another. This ensures that overall organisational objectives are accomplished. (Any three)

OR

- (b) (i) **Directing helps to initiate action:** Directing helps to initiate action by people in the organisation towards attainment of desired objectives. For example, if a supervisor guides his subordinates and clarifies their doubts in performing a task, it will help the worker to achieve work targets given to him.
- (ii) **Directing integrates employees' efforts in the organisation:** Directing integrates employee's efforts in the organisation in such a way that every individual effort contributes to the organisational performance. Thus, it ensures

that the individuals work for organisational goals. For example, a manager with good leadership abilities will be in a position to convince the employees working under him that individual efforts and team effort will lead to achievement of organisational goals.

(iii) **Directing guides employees to fully realise their potential:** Directing guides employees to fully realise their potential and capabilities by motivating and providing effective leadership. A good leader can always identify the potential of his employees and motivate them to extract work up to their full potential.

(iv) **Directing facilitates introduction of needed changes in the organisation:** Directing facilitates introduction of needed changes in the organisation. Generally, people have a tendency to resist changes in the organisation. Effective directing through motivation, communication and leadership helps to reduce such resistance and develop required cooperation in introducing changes in the organisation. For example, if a manager wants to introduce new system of accounting, there may be initial resistance from accounting staff. But, if manager explains the purpose, provides training and motivates with additional rewards, the employees may accept change and cooperate with manager.

(v) **Directing helps to bring stability and balance in the organisation:** Effective directing helps to bring stability and balance in the organisation since it fosters cooperation and commitment among the people and helps to achieve balance among various groups, activities and the departments. **(Any three)**

7. Explain 'Private Placement' and 'Rights Issue' as methods of flotation of new issues in the primary market. **3**

**Ans. Private Placement:** Private placement is the allotment of securities by a company to institutional investors and some selected individuals. It helps to raise capital more quickly than a public issue. Access to the primary market can be expensive on account of various mandatory and nonmonetary expenses. Some companies, therefore, cannot afford a public issue and choose to use private placement.

**Rights Issue:** This is a privilege given to existing shareholders to subscribe to a new issue of shares according to the terms and conditions of the company. The shareholders are offered the 'right' to buy new shares in proportion to the number of shares they already possess.

8. Name and give the meaning of the concepts that are highlighted in the following statements: **3**

(a) It improves the performance of employees on the current job or prepares them for any intended job.

(b) It not only improves the job performance of the employees but also brings about growth of the personality.

**Ans. (a)** Training is any process by which the aptitudes, skills and abilities of the employees to perform specific jobs are increased. It is a process of learning new skills and application of knowledge. It attempts to improve their performance on the current job or prepare them for any intended job.

(b) Development refers to the learning opportunities designed to help employees grow. It covers not only those activities which improve job performance but also those which bring about growth of the personality, help individuals in the progress towards maturity and actualisation of their potential capacities so that they become not only good employees but better men and women.

9. (a) Explain the following rights of a consumer as per the provisions of Consumer Protection Act, 2019: **5**

(i) Right to Safety

(ii) Right to be Informed

OR

(b) State any five responsibilities of a consumer under Consumer Protection Act, 2019.

**Ans. (a) (i) Right to Safety:** The consumer has a right to be protected against goods and services which are hazardous to life and health. For instance, electrical appliances which are manufactured with substandard products or do not conform to the safety norms might cause serious injury. Thus, consumers are educated that they should use electrical appliances which are ISI marked as this would be an assurance of such products meeting quality specifications.

(ii) **Right to be Informed:** The consumer has a right to have complete information about the product he intends to buy including its ingredients, date of manufacture, price, quantity, directions for use, etc. It is because of this reason that the legal framework in India requires the manufactures to provide such information on the package and label of the product.

OR

**Responsibilities of a consumer under Consumer Protection Act 2019 are as follows:**

(b) (i) Be aware about various goods and services available in the market so that an intelligent and wise choice can be made.

(ii) 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.

(iii) Learn about the risks associated with products and services, follow manufacturer's instructions and use the products safely.

- (iv) Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc.
- (v) Assert yourself to ensure that you get a fair deal.
- (vi) Be honest in your dealings. Choose only from legal goods and services and discourage unscrupulous practices like black-marketing, hoarding etc.
- (vii) Ask for a cash memo on purchase of goods or services. This would serve as a proof of the purchase made.
- (viii) File a complaint in an appropriate consumer forum in case of a shortcoming in the quality of goods purchased or services availed. Do not fail to take an action even when the amount involved is small.
- (ix) Form consumer societies which would play an active part in educating consumers and safeguarding their interests.
- (x) Respect the environment. Avoid waste, littering and contributing to pollution.

(Any five)

10. What is meant by financial market? State any four functions of financial market. 5

**Ans.** A financial market is a market for the creation and exchange of financial assets. Financial markets exist wherever a financial transaction occurs. Financial transactions could be in the form of creation of financial assets such as the initial issue of shares and debentures by a firm or the purchase and sale of existing financial assets like equity shares, debentures and bonds.

**Functions of financial market are as follows:**

- (i) **Mobilisation of Savings and Channelling them into the most Productive Uses:** A financial market facilitates the transfer of savings from savers to investors. It gives savers the choice of different investments and thus helps to channel surplus funds into the most productive use.
- (ii) **Facilitating Price Discovery:** Forces of demand and supply help to establish a price for a commodity or service in the market. In the financial market, the households are suppliers of funds and business firms represent the demand. The interaction between them helps to establish a price for the financial asset which is being traded in that particular market.
- (iii) **Providing Liquidity to Financial Assets:** Financial markets facilitate easy purchase and sale of financial assets. In doing so they provide liquidity to financial assets, so that they can be easily converted into cash whenever required. Holders of assets can readily sell their financial assets through the mechanism of the financial market.
- (iv) **Reducing the Cost of Transactions:** Financial markets provide valuable information about

securities being traded in the market. It helps to save time, effort and money that both buyers and sellers of a financial asset would have to otherwise spend to try and find each other. The financial market is thus, a common platform where buyers and sellers can meet for fulfillment of their individual needs.

11. Asha is living in a small village of Rajasthan. Her mother has good culinary skills. Inspired from her mother she joined a course of 'Food and Beverages Production' in Jaipur. After completing her course she asked her mother to open a sweets shop in Jaipur, to which her mother agreed. The business was doing well and had started growing. To expand her business she felt the need of additional personnel. Instead of selecting personnel from any other source she thought of helping her relatives and appointed five of them. But after doing all efforts she found that none of her relatives were providing satisfactory service leading to lower productivity. Also, the quality of the products started deteriorating.

This made Asha to realise that the ability of an organisation to achieve its goals depends upon the quality of its human resources. This was ignored by her at the time of selecting the personnel for her expansion programme.

(a) Identify and state the function of management which could have helped Asha at the time of fulfilling her need of additional personnel in the organisation.

(b) State any three benefits of the function identified in (a) above. 5

**Ans.** (a) Staffing function of management. Staffing is 'putting people to jobs'. It begins with workforce planning and includes different other functions like recruitment, selection, training, development, promotion, compensation and performance appraisal of work force. In other words, staffing is that part of the process of management which is concerned with obtaining, utilising and maintaining a satisfactory and satisfied work force. Staffing has been described as the managerial function of filling and keeping filled the positions in the organisation structure. This is achieved by, first of all, identifying requirement of work force, followed by recruitment, selection, placement, promotion, appraisal and development of personnel, to fill the roles designed into the organisation structure.

(b) Proper staffing ensures the following benefits to the organisation:

- (i) Helps in discovering and obtaining competent personnel for various jobs;
- (ii) Makes for higher performance, by putting right person on the right job;
- (iii) Ensures the continuous survival and growth of the enterprise through the succession planning for managers;

- (iv) Helps to ensure optimum utilisation of the human resources. By avoiding over-manning, it prevents under-utilisation of personnel and high labour costs. At the same time, it avoids disruption of work by indicating in advance the shortages of personnel; and
- (v) Improves job satisfaction and morale of employees through objective assessment and fair reward for their contribution.

(Any three)

12. (a) **Ananta Ltd. is a company dealing in ready-made garments from last many years. Recently the profit of the company have started increasing. The finance manager decided to retain the profit instead of distributing it among shareholders.**

- (i) Identify and state the financial decision taken by finance manager in the above case.
- (ii) State any three factors affecting the decision identified in (i) above. 5

OR

(b) **Ravi has joined as a finance manager in MTA Ltd. He had to arrange funds of rupees one crore for the company. The Chief Executive Officer of the company wants to arrange the funds by a public issue whereas the finance manager wants to have a mix of debt and equity as this will determine the overall cost of capital and the financial risk of the enterprise.**

- (i) Identify and give the meaning of the financial decision suggested by the finance manager in the above case.
- (ii) State any three factors affecting the decision identified in (i) above. 5

**Ans. (i) Dividend Decision:** Dividend is that portion of profit which is distributed to shareholders. The decision involved here is how much of the profit earned by company (after paying tax) is to be distributed to the shareholders and how much of it should be retained in the business. While the dividend constitutes the current income re-investment as retained earnings increases the firm's future earning capacity. The extent of retained earnings also influences the financing decision of the firm. Since the firm does not require funds to the extent of re-invested retained earnings, the decision regarding dividend should be taken keeping in view the overall objective of maximising shareholder's wealth.

(ii) Factors affecting dividend decision are as follows:

- (a) **Amount of Earnings:** Dividends are paid out of current and past earning. Therefore, earnings are a major determinant of the decision about dividend.

(b) **Stability Earnings:** Other things remaining the same, a company having stable earning is in a better position to declare higher dividends. As against this, a company having unstable earnings is likely to pay smaller dividend.

(c) **Stability of Dividends:** Companies generally follow a policy of stabilising dividend per share. The increase in dividends is generally made when there is confidence that their earning potential has gone up and not just the earnings of the current year. In other words, dividend per share is not altered if the change in earnings is small or seen to be temporary in nature.

(d) **Growth Opportunities:** Companies having good growth opportunities retain more money out of their earnings so as to finance the required investment. The dividend in growth companies is, therefore, smaller, than that in the non-growth companies.

(e) **Cash Flow Position:** The payment of dividend involves an outflow of cash. A company may be earning profit but may be short on cash. Availability of enough cash in the company is necessary for declaration of dividend.

(f) **Shareholders' Preference:** While declaring dividends, management must keep in mind the preferences of the shareholders in this regard. If the shareholders in general desire that at least a certain amount is paid as dividend, the companies are likely to declare the same. There are always some shareholders who depend upon a regular income on their investments.

(g) **Taxation Policy:** The choice between the payment of dividend and retaining the earnings is, to some extent, affected by the difference in the tax treatment of dividends and capital gains. If tax on dividend is higher, it is better to pay less by way of dividends. As compared to this, higher dividends may be declared if tax rates are relatively lower. Though the dividends are free of tax in the hands of shareholders, a dividend distribution tax is levied on companies. Thus, under the present tax policy, shareholders are likely to prefer higher dividends.

(h) **Stock Market Reaction:** Investors, in general, view an increase in dividend as good news and stock prices react positively to it. Similarly, a decrease in dividend may have a negative impact on the share prices in the stock market. Thus, the possible impact of dividend policy on the equity share price is one of the important factors considered by the management while taking a decision about it.

- (i) **Access to Capital Market:** Large and reputed companies generally have easy access to the capital market and, therefore, may depend less on retained earnings to finance their growth. These companies tend to pay higher dividends than the smaller companies which have relatively low access to the market.
- (j) **Legal Constraints:** Certain provisions of the Companies Act place restrictions on payouts as dividend. Such provisions must be adhered to while declaring the dividend.
- (k) **Contractual Constraints:** While granting loans to a company, sometimes the lender may impose certain restrictions on the payment of dividends in future. The companies are required to ensure that the dividend does not violate the terms of the loan agreement in this regard. **(Any three)**

OR

**(i) Financing Decision**

This decision is about the quantum of finance to be raised from various long-term sources. Short-term sources are studied under the 'working capital management'. It involves identification of various available sources. The main sources of funds for a firm are shareholders' funds and borrowed funds. The shareholders' funds refer to the equity capital and the retained earnings. Borrowed funds refer to the finance raised through debentures or other forms of debt. A firm has to decide the proportion of funds to be raised from either source, based on their basic characteristics. Interest on borrowed funds have to be paid regardless of whether or not a firm

has earned a profit.

- (ii) Factors affecting financing decision are as follows:
- (a) **Cost:** The cost of raising funds through different sources is different. A prudent financial manager would normally opt for a source which is the cheapest.
- (b) **Risk:** The risk associated with each of the sources is different.
- (c) **Flotation Costs:** Higher the flotation cost, less attractive the source.
- (d) **Cash Flow Position of the Company:** A stronger cash flow position may make debt financing more viable than funding through equity.
- (e) **Fixed Operating Costs:** If a business has high fixed operating costs (e.g., building rent, Insurance premium, Salaries, etc.), It must reduce fixed financing costs. Hence, lower debt financing is better. Similarly, if fixed operating cost is less, more of debt financing may be preferred.
- (f) **Control Considerations:** Issues of more equity may lead to dilution of management's control over the business. Debt financing has no such implication. Companies afraid of a takeover bid would prefer debt to equity.
- (g) **State of Capital Market:** Health of the capital market may also affect the choice of source of fund. During the period when stock market is rising, more people invest in equity. However, depressed capital market may make issue of equity shares difficult for any company. **(Any three)**

Series : AB5CD/5, Delhi Set-II

66/5/2

**Note :** Except these all other Questions are from Delhi Set-I

4. 'Analysing deviations' is an important step in the process of controlling. It is therefore important to focus on key result areas which are critical to the success of an organisation.

Identify and give the meaning of the concept discussed above. **2**

**Ans.** Some deviations in performance can be expected in all activities. It is, therefore, important to determine the acceptable range of deviations. Also, deviations in key areas of business need to be attended more urgently as compared to deviations in certain insignificant areas. Critical point control should be used by a manager in this regard.

**Critical Point Control:** It is neither economical nor easy to keep a check on each and every activity in

an organisation. Control should, therefore, focus on key result areas (KRAs) which are critical to the success of an organisation. These KRAs are set as the critical points. If anything goes wrong at the critical points, the entire organisation suffers.

9. Explain the following rights of a consumer as per the Consumer Protection Act, 2019: **5**

- (i) Right to safety  
(ii) Right to be heard

OR

State any five reliefs available to a consumer under the Consumer Protection Act, 2019. **5**

**Ans. (i) Right to Safety:** The consumer has a right to be protected against goods and services which are hazardous to life, health and property. For example, electrical appliances which are

manufactured with substandard products or do not conform to the safety norms might cause serious injury. Thus, consumers are educated that they should use electrical appliances which are ISI marked as this would be an assurance of such products meeting quality specifications.

- (ii) Right to be heard: The consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or a service. It is because of this reason that many enlightened business firms have set up their own consumer service and grievance cells. Many consumer organisations are also working towards this direction and helping consumers in redressal of their grievances.

OR

Five reliefs available to a consumer under the Consumer Protection Act, 2019

- (i) To remove the defect in goods or deficiency in service.
- (ii) To replace the defective product with a new one, free from any defect.
- (iii) To refund the price paid for the product, or the charges paid for the service.
- (iv) To pay a reasonable amount of compensation for any loss or injury suffered by the consumer due to the negligence of the opposite party.
- (v) To pay punitive damages in appropriate circumstances.
- (vi) To discontinue the unfair/ restrictive trade practice and not to repeat it in the future.
- (vii) Not to offer hazardous goods for sale.

10. State any five points of difference between 'Primary Market' and 'Secondary Market'. 5  
 Ans. Difference between Primary Market and Secondary Market:

S.No.	Basis	Primary Market (New Issue Market)	Secondary Market (Stock Exchange)
(i)	Securities traded	There is sale of securities by new companies or new issues of securities by existing companies to investors.	There is trading of existing securities only which have already been floated in the primary market.
(ii)	Instruments	Securities are sold by the company to the investor directly or through an intermediary.	Ownership of existing securities is exchanged between investors. The company is not involved at any stage of buying or selling.
(iii)	Capital formation	The flow of funds is from those who have saved funds to those who are in need of funds <i>i.e.</i> , the primary market directly promotes capital formation.	Enhances encashability of securities, <i>i.e.</i> , the secondary market promotes capital formation indirectly.
(iv)	Buying/Selling	Only buying of securities takes places in the primary market and no sale takes place.	Both the buying and the selling of securities takes place on the stock exchange.
(v)	Price determination	Prices are determined and decided by the management of the company after giving consideration to a lot of factors.	Prices are determined by demand and supply of the securities without management interference.

Series : AB5CD/5, Delhi Set-III 66/5/3

Note : Except these all other Questions are from Delhi Set-I and Set-II

- 4. 'Analysing deviations' is an important step in the process of controlling. It is therefore important to focus on key result areas which are critical to the success of an organisation.

Identify and give the meaning of the concept discussed above. 2

Ans. Some deviations in performance can be expected in all activities. It is, therefore, important to determine the acceptable range of deviations. Also, deviations in key areas of business need to be attended more

urgently as compared to deviations in certain insignificant areas. Management by exception should be used by a manager in this regard.

**Management by Exception:** Management by exception, which is often referred to as control by exception, is an important principle of management control based on the belief that an attempt to control everything results in controlling nothing. Thus, only significant deviations which go beyond the permissible limit should be brought to the notice of management.

9. (a) Explain the following rights of a consumer as provided by Consumer Protection Act, 2019:  
 (i) Right to Seek Redressal  
 (ii) Right to Consumer Education 5

OR

- (B) Give the meaning of 'Consumer' as per Consumer Protection Act, 2019. Also state when can a consumer complain directly in the 'State Commission' and 'National Commission'? If the consumer is not satisfied with the decision of 'State Commission' and 'National Commission' where can he/she appeal? 5

**Ans. (a) (i) Right to seek Redressal:** The consumer has a right to get relief in case the product or service falls short of his expectations. The Consumer Protection Act provides a number of reliefs 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.

**(ii) Right to Consumer Education:** The consumer has a right to acquire knowledge and to be a well-informed consumer throughout life. He should be aware about his rights and the reliefs available to him in case of a product or service falling short of his expectations. Many consumer organisations and some enlightened businesses are taking an active part in educating consumers in this respect.

OR

**(b)** Under the Consumer Protection Act, 2019 a consumer is defined as:

**(i)** Any person who buys any goods for a consideration, which has been paid or promised, or partly paid and partly promised, or under any scheme of deferred payment. It includes any user of such goods, when such use is made with the approval of the buyer, but does not include a person who obtains goods for resale or any other commercial purpose.

**(ii)** Any person who hires or avails of any service, for a consideration which has been paid or promised, or partly paid and partly promised, or under any system of deferred payment. It includes any beneficiary of services when such services are availed of with the approval of the person concerned, but does not include a person who avails of such services for any commercial purpose.

When the value of goods or services along with the compensation being claimed is more than ₹ 1 crore but less than ₹ 10 crores then a complaint can be filed with the suitable State Commission. Moreover, any appeal against the orders of the State Commission can be filed before the National Commission if the customer is unsatisfied. When the value of goods and services along with the compensation being claimed is more than ₹ 10 crores then a complaint can be filed with the National Commission. Moreover, an order passed by the National Commission in a matter of its original jurisdiction is appealable before the apex court in India *i.e.*, The Supreme Court.

10. State the difference between 'Capital Market' and 'Money Market' on any five basis. 5

**Ans.** Differences between Capital Market and Money Market are as follows:

Basis	Capital Market	Money Market
Participants	The participants in the capital market are financial institutions, banks, corporate entities, foreign investors and ordinary retail investors from members of the public.	Participation in the money market is by and large undertaken by institutional participants such as the RBI, banks, financial institutions and finance companies.
Instruments	The main instruments traded in the capital market are – equity shares, debentures, bonds, preference shares etc.	The main instruments traded in the money market are short term debt instruments such as T-bills, trade bills reports, commercial paper and certificates of deposit.
Duration	The capital market deals in medium- and long-term securities such as equity shares and debentures.	Money market instruments have a maximum tenure of one year, and may even be issued for a single day.
Liquidity	Capital market securities are considered liquid investments because they are marketable on the stock exchanges. However, a share may not be actively traded, <i>i.e.</i> it may not easily find a buyer.	Money market instruments on the other hand, enjoy a higher degree of liquidity as there is formal arrangement for this. The Discount Finance House of India (DFHI) has been established for the specific objective of providing a ready market for money market instruments.
Safety	Capital market instruments are riskier both with respect to returns and principal repayment. Issuing companies may fail to perform as per projections and promoters may defraud investors.	Money market is generally much safer with a minimum risk of default. This is due to the shorter duration of investing and also to financial soundness of the issuers, which primarily are the government, banks and highly rated companies.



1. **Identify and state the step in the process of staffing which creates a pool of prospective job seekers for vacancies in the organisation.** 2
- Ans. Recruitment:** Recruitment may be defined as the process of searching for prospective employees and stimulating them to apply for jobs in the organisation. The information generated in the process of writing the job description and the candidate profile may be used for developing the 'situations vacant' advertisement. The essential objective is to create a pool of the prospective job candidates.
2. **'Gujarat Textiles Ltd.' needs to raise a fund of ₹ 80 crore. It cannot afford the cost of a public issue, so it was decided to allot its equity shares to institutional investors like LIC and some selected investors. Identify and explain the method of floating new issues used by 'Gujarat Textiles Ltd.'** 2
- Ans. Private Placement:** Private placement is the allotment of securities by a company to institutional investors and some selected individuals. It helps to raise capital more quickly than a public issue. Access to the primary market can be expensive on account of various mandatory and non mandatory expenses. Some companies, therefore, cannot afford a public issue and choose to use private placement.
3. **Give the meaning of 'Autocratic style of Leadership'.** 2
- Ans. Autocratic or Authoritarian leader:** An autocratic leader gives orders and expects his subordinates to obey those orders. If a manager is following this style, then communication is only one-way with the subordinate only acting according to the command given by the manager. This leader is dogmatic i.e., does not change or wish to be contradicted. His following is based on the assumption that reward or punishment both can be given depending upon the result. This leadership style is effective in getting productivity in many situations like in a factory where the supervisor is responsible for production on time and has to ensure labour productivity.
4. **One of the functions of management completes one cycle of management process and improves planning in the next cycle in the light of the problems that were identified in the existing plans. Identify and state the function of management discussed above.** 2
- Ans.** Controlling function brings back the management cycle back to the planning function. The controlling function finds out how far actual performance deviates from standards, analyses the causes of such deviations and attempts to take corrective actions based on the same. This process helps in formulation of future plans in the light of the problems that were identified and, thus, helps in better planning in the future periods. Thus, controlling only completes one cycle of management process and improves
- planning in the next cycle.
5. **The Human Resource Department of 'Oberoi's Airlines Pvt. Ltd.' has recently selected 11 pilots. The new pilots have to handle sophisticated equipment. For this, the Human Resource Manager wants to design an off the job training programme which will help them to improve their performance on their jobs. Identify and explain the method of training that can be used by the company in the given situation.** 3
- Ans. Vestibule Training:** Employees learn their jobs on the equipment they will be using, but the training is conducted away from the actual work floor. Actual work environments are created in a class room and employees use the same materials, files and equipment. This is usually done when employees are required to handle sophisticated machinery and equipment.
6. **What is meant by financial incentives? State any two financial incentives.** 3
- OR**
- State any three benefits of training to employees.**
- Ans.** Financial incentives refer to incentives which are in direct monetary form or measurable in monetary term and serve to motivate people for better performance. These incentives may be provided on individual or group basis. The financial incentives generally used in organisations are listed below:
- (i) **Pay and allowances:** For every employee, salary is the basic monetary incentive. It includes basic pay, dearness allowance and other allowances. Salary system consists of regular increments in the pay every year and enhancement of allowances from time-to-time. In some business organisations, pay hike and increments may be linked to performance.
  - (ii) **Productivity linked wage incentives:** Several wage incentive plans aim at linking payment of wages to increase in productivity at individual or group level.
  - (iii) **Bonus:** Bonus is an incentive offered over and above the wages/ salary to the employees.
  - (iv) **Profit Sharing:** Profit sharing is meant to provide a share to employees in the profits of the organisation. This serves to motivate the employees to improve their performance and contribute to increase in profits.
  - (v) **Co-partnership / Stock option:** Under these incentive schemes, employees are offered company shares at a set price which is lower than market price. Sometimes, management may allot shares in line of various incentives payable in cash. The allotment of shares creates a feeling of ownership to the employees and makes them to contribute for the growth of

the organisation. In Infosys the scheme of stock option has been implemented as a part of managerial compensation.

(vi) **Retirement Benefits:** Several retirement benefits such as provident fund, pension, and gratuity provide financial security to employees after their retirement. This acts as an incentive when they are in service in the organisation.

(vii) **Perquisites:** In many companies, perquisites and fringe benefits are offered such as car allowance, housing, medical aid, and education to the children etc., over and above the salary. These measures help to provide motivation to the employees/ managers.

(Any two)

OR

The benefits of training and development activity to the employees are as follows:

- (i) Improved skills and knowledge due to training lead to better career of the individual.
- (ii) Increased performance by the individual helps him to earn more.
- (iii) Training makes the employee more efficient to handle machines. Thus, less prone to accidents.
- (iv) Training increases the satisfaction and morale of employees. (Any three)

7. State any three factors affecting dividend decision of a company. 3

Ans. Factors affecting dividend decisions are as follows:

- (a) **Amount of Earnings:** Dividends are paid out of current and past earning. Therefore, earnings are a major determinant of the decision about dividend.
- (b) **Stability Earnings:** Other things remaining the same, a company having stable earning is in a better position to declare higher dividends. As against this, a company having unstable earnings is likely to pay smaller dividend.
- (c) **Stability of Dividends:** Companies generally follow a policy of stabilising dividend per share. The increase in dividends is generally made when there is confidence that their earning potential has gone up and not just the earnings of the current year. In other words, dividend per share is not altered if the change in earnings is small or seen to be temporary in nature.
- (d) **Growth Opportunities:** Companies having good growth opportunities retain more money out of their earnings so as to finance the required investment. The dividend in growth companies is, therefore, smaller, than that in the non-growth companies.
- (e) **Cash Flow Position:** The payment of dividend involves an outflow of cash. A company may be earning profit but may be short on cash.

Availability of enough cash in the company is necessary for declaration of dividend.

(f) **Shareholders' Preference:** While declaring dividends, managements must keep in mind the preferences of the shareholders in this regard. If the shareholders in general desire that at least a certain amount is paid as dividend, the companies are likely to declare the same. There are always some shareholders who depend upon a regular income from their investments.

(g) **Taxation Policy:** The choice between the payment of dividend and retaining the earnings is, to some extent, affected by the difference in the tax treatment of dividends and capital gains. If tax on dividend is higher, it is better to pay less by way of dividends. As compared to this, higher dividends may be declared if tax rates are relatively lower. Though the dividends are free of tax in the hands of shareholders, a dividend distribution tax is levied on companies. Thus, under the present tax policy, shareholders are likely to prefer higher dividends.

(h) **Stock Market Reaction:** Investors, in general, view an increase in dividend as good news and stock prices react positively to it. Similarly, a decrease in dividend may have a negative impact on the share prices in the stock market. Thus, the possible impact of dividend policy on the equity share price is one of the important factors considered by the management while taking a decision about it.

(i) **Access to Capital Market:** Large and reputed companies generally have easy access to the capital market and, therefore, may depend less on retained earnings to finance their growth. These companies tend to pay higher dividends than the smaller companies which have relatively low access to the market.

(j) **Legal Constraints:** Certain provisions of the Companies Act place restrictions on payouts as dividend. Such provisions must be adhered to while declaring the dividend.

(k) **Contractual Constraints:** While granting loans to a company, sometimes the lender may impose certain restrictions on the payment of dividends in future. The companies are required to ensure that the dividend does not violate the terms of the loan agreement in this regard. (Any three)

8. Explain how controlling helps in 'making efficient use of resources' and 'improving employee motivation'. 3

Ans. **Making efficient use of resources:** By exercising control, a manager seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with predetermined standards and norms. This ensures that resources are used in the most effective and efficient manner.

**Improving employee motivation:** A good control system ensures that employees know well in

advance what they are expected to do and what are the standards of performance on the basis of which they will be appraised. It, thus, motivates them and helps them to give better performance.

9. **State any five reliefs available to a consumer if the consumer court is satisfied about the genuineness of the complaint.** 5

OR

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

(i) **Right to safety**

(ii) **Right to consumer education.** 5

**Ans.** If the consumer court is satisfied about the genuineness of the complaint, it can issue one or more of the following directions to the opposite party.

- (i) To remove the defect in goods or deficiency in service.
- (ii) To replace the defective product with a new one, free from any defect.
- (iii) To refund the price paid for the product, or the charges paid for the service.
- (iv) To pay a reasonable amount of compensation for any loss or injury suffered by the consumer due to the negligence of the opposite party.
- (v) To pay punitive damages in appropriate circumstances.
- (vi) To discontinue the unfair/ restrictive trade practice and not to repeat it in the future.
- (vii) Not to offer hazardous goods for sale.
- (viii) To withdraw the hazardous goods from sale.
- (ix) To cease manufacture of hazardous goods and to desist from offering hazardous services.
- (x) To pay any amount (not less than 5% of the value of the defective goods or deficient services provided), to be credited to the Consumer Welfare Fund or any other organisation/person, to be utilised in the prescribed manner.
- (xi) To issue corrective advertisement to neutralise the effect of a misleading advertisement.
- (xii) To pay adequate costs to the appropriate party.

(Any five)

OR

(i) **Right to Safety:** The consumer has a right to be protected against goods and services which are hazardous to life and health. For instance, electrical appliances which are manufactured with substandard products or do not conform to the safety norms might cause serious injury. Thus, consumers are educated that they should use electrical appliances which are ISI marked as this would be an assurance of such products meeting quality specifications.

(ii) **Right to Consumer Education:** The consumer has a right to acquire knowledge and to be a well-informed consumer throughout life. He

should be aware about his rights and the reliefs available to him in case of a product or service falling short of his expectations. Many consumer organisations and some enlightened businesses are taking an active part in educating consumers in this respect.

10. **What is meant by 'financial market'? State any four functions of financial market.** 5

**Ans.** A financial market is a market for the creation and exchange of financial assets. Financial markets exist wherever a financial transaction occurs. Financial transactions could be in the form of creation of financial assets such as the initial issue of shares and debentures by a firm or the purchase and sale of existing financial assets like equity shares, debentures and bonds.

Functions of financial markets:

(a) **Mobilisation of Savings and Channelling them into the most Productive Uses:** A financial market facilitates the transfer of savings from savers to investors. It gives savers the choice of different investments and thus helps to channelize surplus funds into the most productive use.

(b) **Facilitating Price Discovery:** Forces of demand and supply help to establish a price for a commodity or service in the market. In the financial market, the households are suppliers of funds and business firms represent the demand. The interaction between them helps to establish a price for the financial asset which is being traded in that particular market.

(c) **Providing Liquidity to Financial Assets:** Financial markets facilitate easy purchase and sale of financial assets. In doing so they provide liquidity to financial assets, so that they can be easily converted into cash whenever required. Holders of assets can readily sell their financial assets through the mechanism of the financial market.

(d) **Reducing the Cost of Transactions:** Financial markets provide valuable information about securities being traded in the market. It helps to save time, effort and money that both buyers and sellers of a financial asset would have to otherwise spend to try and find each other. The financial market is thus, a common platform where buyers and sellers can meet for fulfillment of their individual needs.

11. **The Human Resource Manager of Alfa Ltd. a leading air-conditioner manufacturer requires employees for various posts. He wanted to opt for a source of recruitment where background of potential candidates is sufficiently known. He knew that applicants introduced by present employees or their friends and relatives may prove to be a good source of recruitment.** 5

(i) **Identify the external source of recruitment discussed in the above paragraph.**

(ii) State any four advantages of external sources of recruitment.

Ans. (i) Recommendations of Employees

(ii) The advantages of using external sources of recruitment are as follows:

- (a) **Qualified Personnel:** By using external sources of recruitment, the management can attract qualified and trained people to apply for vacant jobs in the organisation.
- (b) **Wider Choice:** When vacancies are advertised widely, a large number of applicants from outside the organisation apply. The management has a wider choice while selecting the people for employment.
- (c) **Fresh Talent:** The present employees may be insufficient or they may not fulfill the specifications of the jobs to be filled. External recruitment provides wider choice and brings new blood in the organisation. However, it is expensive and time consuming.
- (d) **Competitive Spirit:** If a company taps external sources, the existing staff will have to compete with the outsiders. They will work harder to show better performance.

12. NB Ltd. is India's largest manufacturer of cement. Its operations are spread throughout the country with 17 modern cement factories. It has a work force of 9,000 persons.

Since its inception, the company has been a trendsetter for the cement industry. The company is planning to grow in the long-run and wants to double its capacity in the next 3 years.

For this the Finance Manager has to decide about the quantum of finance to be raised from various long-term sources. For this he needs to identify various available sources of funds and the proportion of funds from each source. 5

(i) Identify the financial decision to be taken by the Finance Manager.

(ii) State any four factors which would affect the decision identified in (i) above.

OR

Myra Ltd. manufacturing televisions, is planning to expand its business and requires ₹ 250 crore for the same. A number of projects are available to the company to invest in and each project has to be evaluated carefully. The Finance Manger of the company, has assessed the projects in terms of the rate of return from each project and wanted to select the one with the higher rate of return. But before selecting the project he has to take into consideration other factors also.

(i) Identify and state the financial decision discussed in the above paragraph.

(ii) Explain the other factors that the Finance Manager should consider before selecting the project. 5

Ans. (i) **Financing Decision:** As the company is planning to grow in the long-run so issue of share is the best option.

(ii) The financing decisions are affected by various factors. Important among them are as follows:

- (a) **Cost:** The cost of raising funds through different sources are different. A prudent financial manager would normally opt for a source which is the cheapest.
- (b) **Risk:** The risk associated with each of the sources is different.
- (c) **Flotation Costs:** Higher the flotation cost, less attractive the source.
- (d) **Cash Flow Position of the Company:** A stronger cash flow position may make debt financing more viable than funding through equity.
- (e) **Fixed Operating Costs:** If a business has high fixed operating costs (e.g., building rent, Insurance premium, Salaries, etc.), It must reduce fixed financing costs. Hence, lower debt financing is better. Similarly, if fixed operating cost is less, more of debt financing may be preferred.
- (f) **Control Considerations:** Issues of more equity may lead to dilution of management's control over the business. Debt financing has no such implication. Companies afraid of a takeover bid would prefer debt to equity.
- (g) **State of Capital Market:** Health of the capital market may also affect the choice of source of fund. During the period when stock market is rising, more people invest in equity. However, depressed capital market may make issue of equity shares difficult for any company. (Any four)

OR

**Investment Decision:** A firm's resources are scarce in comparison to the uses to which they can be put. A firm, therefore, has to choose where to invest these resources, so that they are able to earn the highest possible return on their investments. The investment decision, therefore, relates to how the firm's funds are invested in different assets. Investment decision can be long term or short-term. A long-term investment decision is also called a Capital Budgeting decision. It involves committing the finance on a long-term basis. Short-term investment decisions (also called working capital decisions) are concerned with the decisions about the levels of cash, inventory and receivables. These decisions affect the day-to-day working of a business. These affect the liquidity as well as profitability of a business.

**Factors affecting investment decision are as follows:**

- (a) **Cash flows of the project:** When a company takes an investment decision involving huge amount it expects to generate some cash flows over a period. These cash flows are in the form

of a series of cash receipts and payments over the life of an investment. The amount of these cash flows should be carefully analysed before considering a capital budgeting decision.

- (b) **The rate of return:** The most important criterion is the rate of return of the project. These calculations are based on the expected returns from each proposal and the assessment of the risk involved. Suppose, there are two projects, A and B (with the same risk involved), with a rate of return of 10 per cent and 12 per cent,

respectively, then under normal circumstance, project B should be selected.

- (c) **The investment criteria involved:** 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 which are known as capital budgeting techniques. These techniques are applied to each proposal before selecting a particular project. **(Any two)**

**Series : AB4CD/3, Outside Delhi Set-II**

**66/3/2**

**Note:** Except these all other Questions are from Outside Delhi Set-I

3. Give the meaning of 'Democratic style of Leadership'. **2**

**Ans. Democratic or Participative leader:** A democratic leader will develop action plans and makes decisions in consultation with his subordinates. He will encourage them to participate in decision-making. This kind of leadership style is more common now-a-days, since leaders also recognise that people perform best if they have set their own objectives. They also need to respect the other's opinion and support subordinates to perform their duties and accomplish organisational objectives. They exercise more control by using forces within the group.

9. (i) Give the meaning of a 'Consumer' as per Consumer Protection Act, 2019. **5**  
 (ii) As per Consumer Protection Act, 2019, for what value of defective goods or deficient services can a complaint be filed at the State Commission?  
 (iii) Where can an appeal against the order of National Commission be made if aggrieved party is not satisfied by its order? **5**

**OR**

Explain the following rights of a consumer as per the Consumer Protection Act, 2019: **5**

- (i) Right to be heard  
 (ii) Right to be informed

**Ans. (i) Under the Consumer Protection Act, 2019 a consumer is defined as :**

- (a) Any person who buys any goods for a consideration, which has been paid or promised, or partly paid and partly promised, or under any scheme of deferred payment. It includes any user of such goods, when such use is made with the approval of the buyer, but does not include a person who obtains goods for resale or any other commercial purpose.

10. Differentiate between 'Capital Market' and 'Money Market' on the basis of following: **5**

- |                       |                  |
|-----------------------|------------------|
| (i) Participants      | (ii) Instruments |
| (iii) Expected Return | (iv) Safety      |
| (v) Duration          |                  |

- (b) Any person who hires or avails of any service, for a consideration which has been paid or promised, or partly paid and partly promised, or under any system of deferred payment. It includes any beneficiary of services when such services are availed of with the approval of the person concerned, but does not include a person who avails of such services for any commercial purpose.  
 (ii) A complaint can be made to the appropriate State Commission when the value of the goods or services in question, along with the compensation claimed, exceeds ₹ 1 crore but does not exceed ₹ 10 crores.  
 (iii) An order passed by the National Commission in a matter of its original jurisdiction is appealable before the Supreme Court. This means that only those appeals where the value of goods and services in question, along with the compensation claimed, exceeded ₹ 10 crores and where the aggrieved party was not satisfied with the order of the National Commission, can be taken to the Supreme Court of India.

**OR**

- (i) **Right to be Heard:** The consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or a service. It is because of this reason that many enlightened business firms have set up their own consumer service and grievance cells. Many consumer organisations are also working towards this direction and helping consumers in redressal of their grievances.  
 (ii) **Right to be Informed:** The consumer has a right to have complete information about the product he intends to buy including its ingredients, date of manufacture, price, quantity, directions for use, etc. It is because of this reason that the legal framework in India requires the manufactures to provide such information on the package and label of the product.

**Ans. Differences between capital market and money market are as follows:**

Basis	Capital Market	Money Market
Participants	The participants in the capital market are financial institutions, banks, corporate entities, foreign investors and ordinary retail investors from members of the public.	Participation in the money market is by and large undertaken by institutional participants such as the RBI, banks, financial institutions and finance companies. Individual investors although permitted to transact in the secondary money market, do not normally do so.
Instruments	The main instruments traded in the capital market are – equity shares, debentures, bonds, preference shares etc.	The main instruments traded in the money market are short term debt instruments such as T-bills, trade bills reports, commercial paper and certificates of deposit.
Expected return	The investment in capital markets generally yield a higher return for investors than the money markets.	The investment in money markets generally yield a lower return for investors than the capital markets.
Safety	Capital market instruments are riskier both with respect to returns and principal repayment. Issuing companies may fail to perform as per projections and promoters may defraud investors.	Money market is generally much safer with a minimum risk of default. This is due to the shorter duration of investing and also to financial soundness of the issuers, which primarily are the government, banks and highly rated companies.
Duration	The capital market deals in medium- and long-term securities such as equity shares and debentures.	Money market instruments have a maximum tenure of one year, and may even be issued for a single day.

**Series : AB4CD/3, Outside Delhi Set-III**

**66/3/3**

**Note :** Except these all other Questions are from Outside Delhi Set-I, Set-II

**3. Give the meaning of 'Free Rein style of Leadership'.** 2

**Ans. Laissez faire or Free-rein leader:** Such a leader does not believe in the use of power unless it is absolutely essential. The followers are given a high degree of independence to formulate their own objectives and ways to achieve them. The group members work on their own tasks resolving issues themselves. The manager is there only to support them and supply them the required information to complete the task assigned. At the same time, the subordinate assumes responsibility for the work to be performed.

**9. Explain the following rights of a consumer as per the Consumer Protection Act, 2019:**  $2\frac{1}{2} + 2\frac{1}{2} = 5$

- (i) Right to seek Redressal
- (ii) Right to safety.

**OR**

**State any five responsibilities that should be kept in mind by a consumer while purchasing, using and consuming goods and services.** 5

**Ans. (i) Right to seek Redressal:** The consumer has a right to get relief in case the product or service falls short of his expectations. The Consumer Protection Act provides a number of reliefs 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.

**(ii) Right to Safety:** The consumer has a right to be protected against goods and services which are hazardous to life and health. For instance, electrical appliances which are manufactured with substandard products or do not conform to the safety norms might cause serious injury. Thus, consumers are educated that they should use electrical appliances which are ISI marked as this would be an assurance of such products meeting quality specifications.

**OR**

Responsibilities of a consumer under Consumer Protection Act 2019 are as follows:

- (i) Be aware about various goods and services available in the market so that an intelligent and wise choice can be made.
- (ii) Buy only standardised goods as they provide quality assurance. Thus, look for ISI mark on electrical goods, FPO mark on food products, Hallmark on jewellery etc.
- (iii) Learn about the risks associated with products and services, follow manufacturer's instructions and use the products safely.
- (iv) Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc.
- (v) Assert yourself to ensure that you get a fair deal.
- (vi) Be honest in your dealings. Choose only from legal goods and services and discourage

unscrupulous practices like black-marketing, hoarding etc.

- (vii) Ask for a cash memo on purchase of goods or services. This would serve as a proof of the purchase made.
- (viii) File a complaint in an appropriate consumer forum in case of a shortcoming in the quality of goods purchased or services availed. Do not fail to take an action even when the amount involved is small.
- (ix) Form consumer societies which would play an active part in educating consumers and safeguarding their interests.
- (x) Respect the environment. Avoid waste, littering and contributing to pollution.

(Any five)

10. Explain 'commercial paper' and 'Treasury Bills' as money market instruments. 5

**Ans. Commercial Paper:** 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. The issuance of commercial paper is an alternative to bank borrowing for large companies that are generally considered to be financially strong. It is sold at a discount and redeemed at par. The original purpose of commercial paper is to provide short-terms funds for seasonal and working capital needs.

**Treasury Bill:** A Treasury bill is basically an instrument of short-term borrowing by the Government of India maturing in less than one year. They are also known as Zero Coupon Bonds issued by the Reserve Bank of India on behalf of the Central Government to meet its short-term requirement of funds. Treasury bills are issued in the form of a promissory note. They are highly liquid and have assured yield and negligible risk of default. They are issued at a price which is lower than their face value and repaid at par. The difference between the price at which the treasury bills are issued and their redemption value is the interest receivable on them and is called discount. Treasury bills are available for a minimum amount of ₹ 25,000 and in multiples thereof.

