



COMMERCE

(Maximum Marks: 80)

(Time allowed: Three hours)

(Candidates are allowed additional 15 minutes for **only** reading the paper.

They must **NOT** start writing during this time.)

SOLVED PAPER

Answer 1.

(i) The following are the components of macro environment:

- (a) Economic environment (b) Social environment
(c) Political environment (d) Technological environment
(e) Legal environment

(ii)

Recruitment	Selection
To create a large pool of candidates	To eliminate all unsuitable candidates
No restriction upon the number of candidates	Only a limited number of candidates are selected

(iii) Factoring implies raising finance through the sale of mortgage of book debts. Finance companies or factors provide finance to business concerns through outright purchase of accounts receivable or against the security of accounts receivable.

(iv) Retained Earnings (RE) are the portion of a business's profits that are not distributed as dividends to shareholders but instead are reserved for reinvestment back into the business. Normally, these funds are used for working capital and fixed asset purchases (capital expenditures) or allotted for paying off debt obligations.

- (v) (a) A policy is a general statement that guides decision-making. Policies define the boundaries within which decisions can be made and they direct decisions towards the accomplishment of objectives.
- (b) Methods are formalized and standardized way of accomplishing repetitive and routine jobs. They serve as uniform norms to guide and control operations and performance.
- (vi) Response of a receiver to sender's message is called feedback. Feedback is essential in communication so as to know whether the recipient has understood the message in the same terms as intended by the sender and whether he agrees to that message or not.
- (vii) Two external resources of recruitment are:
- (a) **Advertisement** – Job vacancies are advertised in a newspaper, journals and on television. This method provides a wider choice and brings a flood of applications.
- (b) **Casual sellers** – Sometimes unsolicited applicants visit offices in search of jobs. A list of such people can be prepared and screened to fill temporary vacancies.
- (viii) Two features of labelling are:
- (a) Labelling is used to exaggerate the product. It is used for identification. Labeling helps a viewer to differentiate the product from the rest in the shelves of the market.
- (b) Labeling is another very important factor in a product. It should show the correct information about the product.
- (ix) Like science in management also there is availability of systematic and organised study material. Gathering data and facts, analyzing them and making a decision based on analysis, are the basic functions of the management.
- (x) Two limitations of planning:
- 1. Planning is costly** - On account of heavy costs involved in planning, small and medium concerns find it difficult to make comprehensive plans.
- 2. Planning is a time consuming process** - Planning requires too much of time and the decision-making process may get delayed especially where immediate decisions are to be taken.

PART II

Answer 2

(a)

Basis for comparison	Authority	Responsibility
Meaning	Authority refers to the power or right, attached to a particular job or designation, to give orders, enforce rules, make decisions and exact compliance.	Responsibility denotes duty or obligation to undertake or accomplish a task successfully, assigned by the senior or established by one's own commitment or circumstances.
Task of manager	Delegation of authority	Assumption of responsibility
Objective	To make decisions and implement it.	To execute duties, assigned by superior.

(b) The importance of management to a modern business is discussed below:

1. Accomplishment of goals - It is the management which determines the goals of the organization and of various departments and functional groups. The goals are communicated to the employees to seek their cooperation.

2. Effective Utilization of Resources - Management ensures optimum utilisation of resources. Through planning and organisation, management eliminates all types of wastages and achieves efficiency in all business operations.

3. Order to Endeavour or Efforts - Management deals with integration of human and non-human resources in order to achieve organizational objectives. It directs and coordinates the activities of individuals and groups in the use of materials, methods and machines.

4. National Growth and Prosperity - Efficient management of resources is equally important at the national level. Efficient management of resources is a key to growth of the economy and prosperity and better standard of living of the general public.

(c) Qualities of a good leader:

(i) **Honesty and Integrity** - Honesty and integrity are two important ingredients which make a good leader. Leaders succeed when they stick to their values and core beliefs and without ethics, this will not be possible.

(ii) **Confidence** - To be an effective leader, you should be confident enough to ensure that other follow your commands. As a leader, you have to be oozing with confidence, show some swagger and assertiveness to gain the respect of your subordinates

(iii) **Accountability** - Holding them accountable for their actions will create a sense of responsibility among your subordinates and they will go about the business more seriously.

(iv) **Good Communicator** - A good communicator can be a good leader. Words have the power to motivate people and make them do the unthinkable. If you use them effectively, you can also achieve better results.

(v) **Delegation and Empowerment** - It is important for a leader to focus on key responsibilities while leaving the rest to others. Delegate tasks to your subordinates and see how they perform. Provide them with all the resources and support they need to achieve the objective and give them a chance to bear the responsibility.

Answer 3

(a) Three functions of a supervisor-

1. **Facilitates Control** – Under supervision keeps a close eyes on his subordinates. Whenever he finds any flaws in the work-in-progress, he rectifies them then and there itself.
2. **Optimum Utilisation of Resources** – Under supervision, all the activities are closely monitored. In this situation , better utilization of all the resources like human, material, machinery, etc. takes place.
3. **Maintenance of Discipline** – Strict watch and timely guidance of the employees teaches them a lesson in discipline. When special attention is given to the

employees during their work and their every

(b)

(a) SMS Alert – SMS banking is a form of mobile banking. It is a facility used by some banks or other financial institutions to send messages (also called notifications or alerts) to customers' mobile phones using SMS messaging, or a service provided by them which enables customers to perform some financial transactions using SMS.

(b) ATM – An automated teller machine is an electronic banking outlet that allows customers to complete basic transactions without the aid of a branch representative or teller. Anyone with a credit card or debit card can access most ATMs.

(c) The steps involved in process of controlling are -

1. Setting Performance Standards – The first step in the process of controlling is concerned with setting performance standards. These standards are the basis for measuring the actual performance. These standards can be expressed both in quantitative and qualitative terms.

2. Measurement of Actual Performance - Once the standards have been determined, the next step is to measure the actual performance. The various techniques for measuring are sample checking, performance reports, personal observation etc.

3. Analysing Deviations – Some deviations are possible in all the activities. However, the deviation in the important areas of business needs to be corrected more urgently as compared to deviation in insignificant areas.

4. Taking Corrective Action – The last step in the process of controlling involves taking corrective action. If the deviations are within acceptable limits, no corrective measure is required.

5. Comparing Actual Performance with Standards - This step involves comparing the actual performance with standards laid down in order to find the deviations.

Answer 4

- (a) Sweat equity shares means such equity shares as are issued by a company to its directors or employees at a discount or for consideration, other than cash, for providing their know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called.
- (b) Legally mandated document published by every firm offering its securities to public for purchase. It must comply with strict legal requirements and is filed for approval with the country's securities inspectorate. A prospectus must disclose essential information such as firm's objectives, primary business activity, current financial position.

The objectives of a prospectus –

- (i) To bring to the notice of the public that a new company has been formed.
 - (ii) To preserve authentic record of the terms and allotment on which the public have been invited to buy its shares or debentures.
 - (iii) To secure that the directors of the company accept responsibility for the statements in the prospectus.
- (c) Five ways of overcoming barriers to communication:
- (1) **Be aware of Language, Tone and Content of Message** -The language, tone and content of a message to be communicated are very important aspects of an effective communication. The language should be clear, simple and easily understandable.
 - (2) **Convey Things of Help and Value to Listeners** – It is always to know the needs and interests of the listeners before communicating the message.
 - (3) **Ensure Proper Feedback** - Proper feedback helps in improving the communication process. The sender should ask questions regarding the message conveyed and the receiver should be encouraged to respond to communication.
 - (4) **Be a Good Listener** - It has been well established that listening attentively solves more than half the problems in any organisation. Hence, to overcome all

likely communication barriers a manager should try to be a good listener too.

(5) Communicate for Present as well as Future – In order to maintain consistency, the communication should aim at meeting both present as well as future requirements of an organisation.

Answer 5

(a) Three elements of marketing mix:

1. Advertising - It is a paid form of non-personal mass communication by an identified sponsor. The mass media used include print media, direct mail, audio visual media, bill boards etc.

2. Personal Selling - Personal selling is face to face contact between a seller's representative and those people with whom the seller wants to communicate. Non-profit organization, political candidates, firms and individuals use personal selling to communicate with the public.

3. Sales Promotion - Sales promotion includes activities that seek to directly induce or indirectly serve as incentives to motivate, a desired response on the part of the target customers, company sales people and middle men and their sales force. These activities add value to the product. In sales promotion the activities like discounts, gifts, contests, premiums, displays and coupons are included.

(b)

(i) Division of work - The division of work is the separation of tasks in any system so that participants may specialize. Individuals, organizations, and nations are endowed with or acquire specialized capabilities and either form combinations or trade to take advantage of the capabilities of others in addition to their own. Specialized capabilities may include equipment or natural resources in addition to skills and training and complex combinations of such assets are often important, as when multiple items of specialized equipment and skilled operators are used to produce a single product

(ii) Stability of tenure - 'STABILITY' means no frequent change, termination and transfer etc. It means that, in an organisation whenever an employee is appointed for a job, he/she shouldn't be removed from that position frequently. The management of the organisation should ensure that there must be stability

in the job and frequent changes and shuffling of position should be avoided.

(c) An indirect channel of distribution is that which involves middlemen in between the producer and the consumer for the distribution of products. Depending on the number of intermediaries involved there are different types of indirect channels, which are as follows:

(i) **Manufacturer-Retailer-Customer** – The manufacturer sells directly to large retailers who in turn sell to customers. It is generally used for consumer durables and products of high value. For example, automobiles, readymade clothes, shoes etc.

(ii) **Manufacturer-Wholesaler-Retailer-Customer** – It is the most commonly used channel for distributing consumer goods. These products have a scattered market and are generally low priced. For example, convenience goods as tea, soap, salt etc

(iii) **Manufacturer-Agent-Wholesaler-Retailer-Customer** – The producer hands over his entire output to a sole selling agent who in turn distributes it to a few wholesalers. The wholesalers in turn sell it to the retailers who finally sell it to the customers. This channel is mostly used for supplying clothes.

Answer 6

(a)

Basis of Comparison	Product	Service
Nature	It is tangible, it is physical and can be held, seen and is also movable	It is intangible. It can only be felt, not seen.
Value	Product value is derived by the customer	Value of service is offered by the service provider
Storage	A product can be stored for future use	A service is perishable and cannot be stored for later use or sale

(b) Four advantages of raising funds from commercial banks are -

1. Commercial loans are much cheaper, faster, and simpler than getting equity investment so businesses can grow much more if the terms are reasonable and especially if the loan officers are well trained (much rarer than you would expect) in various types of businesses and types of lending.
2. Commercial mortgages are the key to buildings that are of sufficient size for a viable business (too small of space is crippling for retailers and restaurants especially while it keeps factories from adding significant equipment and separating processes sufficiently. It's common for the loan payment to be substantially less than rent of comparable space.
3. Commercial loans for specialized production equipment can greatly improve business's growth and competitiveness Commercial loans for working capital or to finance the costs of filling a big order makes a particularly big difference in business growth but requires better trained loan officers and credit staff so it's done far too rarely.
4. Procedures such as issuance of prospectus and underwriting are not mandatory for raising loans from a bank. Hence it is an easier source of raising funds.

(c)

Basis of Comparison	Henry Fayol	F.W. Taylor
Meaning	Henry Fayol, is a father of modern management who laid down fourteen principles of management, for improving overall administration.	F.W. Taylor, is a father of scientific management who introduced four principles of management, for increasing overall productivity.
Concept	General theory of administration	Scientific Management
Emphasis	Top level management	Low level management
Applicability	Universally applicable	Applies to specialized organizations only.

Orientation	Managerial function	Production and Engineering
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Answer 7

- (a) The Securities and Exchange Board of India, also referred to as the *SEBI* is similar to the United States Securities and Exchange Commission. They are the governing body for financial regulations in India. The SEBI is responsible for maintaining a stable investment and financial market for India. The board was established in 1988 but not given any regulating abilities until 1992 when the Securities and Exchange Board of India Act passed. The SEBI headquarters are in Mumbai, and the board is headed by eight members.

Functions of a SEBI are-

- Regulating the business in stock exchanges and other securities exchange markets.
- Prohibit fraudulent and unfair trade activities within the securities market.
- Registering and regulating the work of stock brokers and other intermediaries that may have an association with securities markets.

(b)

Basis of Comparison	Equity Shares	Preference Shares
Meaning	Equity shares are the ordinary shares of the company representing the part ownership of the shareholder in the company.	Preference shares are the shares that carry preferential rights on the matters of payment of dividend and repayment of capital
Payment of dividend	The dividend is paid after the payment of all liabilities.	Priority in payment of dividend over equity shareholders.
Repayment of capital	In the event of winding up of the company, equity shares are repaid at the end.	In the event of winding up of the company, preference shares are repaid before equity shares.
Voting rights	Equity shares carry voting rights.	Normally, preference shares do not carry voting rights.

(c) Five sources of external recruitment are:

1. **Advertisement** - It is a method of recruitment frequently used for skilled workers, clerical and higher staff. Advertisement can be given in newspapers and professional journals. These advertisements attract applicants in large number of highly variable quality.
2. **Employment Exchanges** - Employment exchanges in India are run by the Government. For unskilled, semi-skilled, skilled, clerical posts etc., it is often used as a source of recruitment. In certain cases it has been made obligatory for the business concerns to notify their vacancies to the employment exchange
3. **Schools, Colleges and Universities** - Direct recruitment from educational institutions for certain jobs (i.e. placement) which require technical or professional qualification has become a common practice. A close liaison between the company and educational institutions helps in getting suitable candidates.
4. **Labour Contractors** - This method of recruitment is still prevalent in India for hiring unskilled and semi-skilled workers in brick industry. The contractors keep themselves in touch with the labour and bring the workers at the places where they are required.
5. **Casual Callers** - Those personnel who casually come to the company for employment may also be considered for the vacant post. It is most economical method of recruitment. In the advanced countries, this method of recruitment is very popular.

Answer 8

(a)

The main features of business environment are:

(i) **All the external forces** - Honesty and integrity are two important ingredients which make a good leader. Leaders succeed when they stick to their values and core beliefs and without ethics, this will not be possible.

(ii) **Specific and general forces** - Business environment includes specific forces such as investors, customers, competitors and suppliers. Non-human or general forces are Social, Legal, Technological, Political, etc. which affect the Business

indirectly.

(iii) Inter-relation - All the forces and factors of Business Environment are inter-related to each other. For example with inclination of youth towards western culture, the demand for fast food is increasing.

(b) Features of RTGS :

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1. They are realtime online fund transfer. Used for high value transactions
2. They are safe and secure. Reliable and backed by RBI.
3. Immediate clearing takes place. Funds credited on a one-on-one basis.
4. Transactions executed on an individual and gross basis.

(c) Importance of staffing are -

1. Staffing function help in discovering of qualified and obtaining competent personnel for various jobs in the organisation.
2. Since the right person is recruited for the right jobs, it leads for maximum productivity and higher performance.
3. It increases job satisfaction and morale of the workers through adequate remuneration for each job.
4. It leads to efficient functioning of the organization due to systematic programmes for the selection, training and appraisal of employees are required by proper staffing function.
5. Employees now recognize the dignity of labour, there is awareness of the role of performing the staffing function well; management can show the significance it attaches to the human resource development.

Answer 9

- (a) **Informal organisation** – Informal organisation is a network of social relationships among employees arising out of interaction among people at work. Informal organisation emerges from within the formal organization when people interact beyond their officially defined roles. Informal organisation has no written rules, is fluid in form and scope and does not have fixed lines of communication.
- (b) **Motivation as an element of directing** – Motivation as an element of directing can be understood as a process of inducing employees to work towards the desired goals and objectives. It implies encouraging workers to work to the best of their capabilities towards the common goals and objectives of the organisation. In order to activate and actuate his subordinates to work in the desired manner, a manager has to make use of appropriate incentives. Various financial and non-financial incentives are available to a manager for this purpose. Motivation is a continuous process of understanding and satisfying human needs.
- (c) **Branding** - Branding is an important part of Internet commerce, as branding allows companies to build their reputations as well as expand beyond the original product and service, and add to the revenue generated by the original brand. A brand is the idea or image of a specific product or service that consumers connect with, by identifying the name, logo, slogan, or design of the company who owns the idea or image. Branding is when that idea or image is marketed so that it is recognizable by more and more people, and identified with a certain service or product when there are many other companies offering the same service or product.



SUGGESTION FOR STUDENTS

- Learn time management.
- Read and understand the question before attempting to answer.
- Headings and explanations must co-relate with each other.
- Write steps sequentially, in the correct order.
- Write differences in a tabular form and make sure that the differences co-relate with each other.
- Avoid writing overlapping of points.

ALL THE BEST!!!

-CS BAJRANG AGARWAL