



# ISC 2016 COMMERCE

- SOLUTION OF 2016
- COMMENTS OF COUNCIL EXAMINERS
- SUGGESTIONS FOR TEACHERS

Dedicated to all my lovely students. May God help you always.

This small booklet contains solution of ISC 2016 Commerce.

The comments from the council examiners under solution of every question makes this a very handy guide for students to understand what the council expects as answer from the students.

I hope that the students will find this to be useful.

*- Md. Zeeshan Akhtar*

01<sup>st</sup> January, 2017.

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# COMMERCE

## PART I (20 Marks)

Answer *all* questions.

### Question 1

[10 × 2]

Answer briefly each of the questions (i) to (x).

- (i) State *two* components of legal environment of a business concern.
- (ii) Why is working capital also known as *circulating capital*?
- (iii) What is meant by *participating preference shares*?
- (iv) Distinguish between *advertising* and *personal selling*.
- (v) Why is *feedback* an important element in the communication process?
- (vi) Explain the principle of *Esprit de corps* as advocated by Henry Fayol.
- (vii) What is meant by a *product*?
- (viii) Explain the meaning of coordination, as a function of management.
- (ix) What are *bonus shares*?
- (x) Explain the concept of *management by exception*.

#### Comments of Examiners

- (i) Most candidates confused legal environment with political environment. Some candidates wrote one word answers which did not convey the meaning.
- (ii) A number of candidates explained working capital, net working capital or gross working capital instead of circulating capital. Some candidates explained only with the help of a diagram.
- (iii) Many candidates did not mention that a participating preference shareholder has a right to participate in the surplus assets of the company, at the time of winding up.
- (iv) Some candidates wrote differences between sales promotion and advertising or differences between marketing and advertising.

#### Suggestions for teachers

- Stress upon key words which are essential for bringing out the complete meaning of the answer.
- Bring out the differences between the terms ‘working capital’, ‘net working capital’, ‘gross working capital’ and ‘circulating capital’.
- Convey updated information especially with reference to the Amended Companies Act 2013.
- Provide proper and frequent feedback through oral and written tests on similar sounding topics like personal selling and sales promotion.

- (v) In a few cases, either the meaning or the effectiveness was given. Some of the candidates referred to feedback from the consumers' point of view with reference to marketing.
- (vi) Most candidates explained other principles of Fayol such as, unity of direction or unity of command. In several cases, candidates were unable to explain Esprit de corps clearly.
- (vii) Many candidates restricted the meaning of 'product' by referring to only the tangible aspect of the product - this made the answer incomplete since a product can be in the form of service which is intangible. The fact that the product must be offered for sale was also missing in some of the answers.
- (viii) In some cases, the essence of coordination was explained instead of the meaning of coordination. Also, some integral terms like, 'individual efforts' were not included in the answer rendering it incomplete.
- (ix) The important key words essential for bringing out the meaning of bonus shares, like 'fully paid', 'free of cost', 'existing shareholder' were missing in most of the answers.
- (x) Some of the candidates gave functions of management instead of explaining the term 'management by exception'.

- Stress upon the fact that comparable points of difference must be given and repetition of points as well as overlapping of points of difference must be avoided.
- Reinforce that questions must be read, understood and then answered.
- Give a lot of written practice so that the management principles as advocated by F.W. Taylor and Henri Fayol are understood.
- Explain tangibility and the intangibility aspect of the product so that the complete meaning is brought out in the answer.
- Distinguish between 'coordination' and the 'essence of coordination'.
- Tell students to write complete answers - inadequate and vague explanations must be avoided.
- Instruct students to use correct terminology while explaining Bonus shares, Right shares, etc.

## MARKING SCHEME

### Question 1

(i)	<p>Components of legal environment of a business concern:</p> <ul style="list-style-type: none"> <li>• Rights / duties/rights and duties of citizens <u>as specified in the constitution</u> (optional)</li> <li>• Laws concerning promotion/ operation/ expansion of business</li> <li>• Flexibility and adaptability of laws.</li> <li>• Judicial system of the country</li> </ul> <p style="text-align: right;"><i>(One-line explanation, Any two)</i></p>
(ii)	<p>Working capital is <u>invested, recovered and reinvested repeatedly</u> during the operating cycle of the business and hence is called the circulating capital. In ordinary course of business, it circulates from cash to inventories to receivables to cash for further investment into business</p> <p style="text-align: center;"><b>OR</b></p> <p>Current Assets which during the course of business <u>are converted</u> from one <u>form like cash</u> to <u>another form like inventories than to Receivables and ultimately back into cash.</u></p>

(iii)	Participating preference shares are those shares which entitle their holders a share in the <u>residual/surplus profits</u> of the company in addition to a fixed rate of dividend and share in <u>surplus assets</u> at the time of winding up of the company.		
(iv)	Distinguish between <i>advertising</i> and <i>personal selling</i> :		
	<b>Basis of distinction</b>	<b>Advertising</b>	<b>Personal selling</b>
	Meaning	It involves non-personal persuasive communication/ not face to face	It involves personal persuasive communication/ face to face
	Objective	To stimulate and create demand for goods and services	To satisfy the wants of customers which results in immediate sales.
	Scope/coverage	Wide	Restricted to specific customers.
	Nature	It creates demand for goods	It induces customers to purchase the goods.
	Feed back	No immediate feed back	Immediate feed back
	Type of sale	Mass selling	Individual selling
	Media Used	Diverse media involving use of oral and written words and gestures	Limited media involving use of oral words and gestures
	Message flexibility	Same message/ rigid	Message is specific and tailored to each customer./ flexible
	Suitability	More suitable in the initial life of a product	More useful at later stages.
	Cost	Economical/low	High/Expensive
			<i>(Any two)</i>
(v)	Feedback is the <u>response or reaction</u> of the receiver. Without feedback <i>the sender will not be able to judge the effectiveness of his message</i> and the communication process will remain incomplete.		
(vi)	There must be team <u>spirit and cooperation</u> among the members of an organisation. ‘Unity of strength ‘and strength of an enterprise lies in the cooperation and <u>harmony in individual efforts</u> . Group efforts are more than the aggregate of individual contributions on account of Esprit de corps. It is a feeling of pride and mutual loyalty shared by the members of a group/ team spirit.		
(vii)	Product means anything which is <u>offered to the public for sale</u> . It may be a <u>physical object, service or an idea/tangible or intangible</u> . It represents certain benefits and provides some service. A product is a means of satisfying the needs and wants of consumers. For example, a car or a house.		

(viii)	Coordination means <u>harmonising/synchronising/ unifying/ integration of individual efforts</u> towards achievement of the <u>common goal</u> .
(ix)	Bonus shares are <u>fully paid shares</u> given to the <u>existing shareholders free of charge</u> in proportion to their existing shareholdings. Issue of bonus shares is also known as capitalisation of undistributed profits.
(x)	Management by exception states that managers at every level should confine their attention to <u>only critical and exceptional deviations</u> from planned results, relevant at their level. In other words, managers are busy people and have to consume their time, effort and attention for relatively more important matters avoiding trivial ones. Thus, management by exception involves selective control or control at strategic points.

## PART II (60 Marks)

*Answer any five questions.*

### Question 2

- (a) Explain *any three* external elements of micro business environment. **[3]**
- (b) Briefly explain *any two* sources of short term finance. **[4]**
- (c) Explain the meaning of *debentures*. State *any four* disadvantages of debentures. **[5]**

### Comments of Examiners

- (a) Most of the candidates attempted this part correctly. Several candidates explained components of social, legal & technological environments instead of external elements of micro environment. In a few cases, words such as ‘consumed’ were used instead of ‘consumer’ which changed the context of the answer. Some candidates did not give proper explanation for the points.
- (b) Many candidates ignored the interest aspect in various sources of finance. Several candidates were not able to distinguish between bank overdraft and cash credit. A number of candidates explained long term sources like shares and debentures and loans from financial institutions. Important points were missing in many cases.
- (c) Most candidates did not include essential terms like ‘acknowledgement of debt’, ‘common seal’ in the answers. The word ‘dividend’ was substituted for the word ‘interest’ by some of the candidates which resulted in an incorrect answer since dividend is an appropriation of profit and interest is a charge against the profit.

#### Suggestions for teachers

- Explanations should contain relevant matter pertaining to the headings.
- Ask students to add value to a point by elaborating on the essential points in the explanation.
- Explain sources of finance with reference to source of capital, interest rates, security and repayment process.
- Long term sources and short term sources must be clearly demarcated and distinguished in class with appropriate examples.
- Emphasize the necessity of using key terms, which bring out clarity of concepts.

## MARKING SCHEME

### Question 2

(a) External elements affecting the micro business environment:

- Customers
- Competitors
- Suppliers
- Market intermediaries
- Financiers
- Public

*(Any three with brief explanation)*

(b) Short term sources of finance are:

- Commercial banks
- Trade credit
- Instalment credit/ hire purchase
- Factoring
- Customer advance
- Inter-corporate deposits
- Public deposits
- Loans and advances
- Cash Credit
- Bank Overdraft
- Discounting of bills

*(Meaning of any two)*

Commercial Banks: are a major source of short term finance for business. Bank provides finance in the following ways:

- Loan and advances
- Cash credit
- Bank overdrafts
- Discounting of bills.

Trade Credit: is the credit extended by seller to buyers at all levels of the production and distribution process down to the retailer. It arises out of transfer of goods and is unsecured.

Instalment Credit/ Hire Purchase: Instalment credit refers to the facility of buying machinery, equipment and other durable goods on credit. The buyer has to pay a part of the price of the asset at the time of delivery and the balance is payable in a number of instalments. The supplier charges interest on the balance due and the interest is included in the amount of instalment.

Factoring: Factoring implies raising finance through the sale or mortgage of book debts. Finance companies or factories provide finance to business concerns through outright purchase of account receivable or against the security of accounts receivables. The finance companies generally make advance up-to 60% of the accounts receivable pledged with them.

	<p>Customer advances: The customers advance represents a part of the price of the goods ordered / booked by the customers to be supplied at a later date. This arrangement is used in case of products which are in short supply.</p> <p>Inter-corporate Deposits: When a company borrows funds for a short period from another company which has surplus funds, it is called inter-corporate deposits. The ICDs are generally unsecured and are arranged by a financier.</p>
(c)	<p>A <b>debenture</b> is a certificate issued by a company <u>under its common seal</u> as <u>acknowledgment of debt</u> as well as an <u>undertaking</u> to repay the <i>specified sum with interest</i> on or before the prescribed date.</p> <p><b>Disadvantages of debentures:</b></p> <ul style="list-style-type: none"> <li>• Permanent burden of interest</li> <li>• Reduction in credit standing/ goodwill</li> <li>• Charge on assets</li> <li>• No voting rights</li> <li>• High unit price</li> <li>• Unattractive</li> <li>• Reduction in dividend</li> <li>• Heavy stamp duty</li> <li>• No participation in management</li> <li>• No participation in (residual) profits</li> </ul> <p style="text-align: right;"><i>(Any four )</i></p>

### Question 3

- (a) Write *any four* features of equity shares. [4]
- (b) Explain *any four* factors that affect the capital structure of a company. [8]

#### Comments of Examiners

- (a) Some candidates wrote advantages instead of features of equity shares. Substituting the word 'risky' in place of 'Risk capital', without giving appropriate explanation, rendered the answer meaningless. Several candidates used the word 'interest' in place of 'dividend' which conveyed an incorrect meaning.
- (b) Many candidates gave factors affecting the fixed capital instead of the factors affecting the capital structure requirements. A number of candidates did not give adequate explanation.

#### Suggestions for teachers

- Highlight the fact that each point must be stated with clarity.
- Headings and explanation must co-relate to each other.
- Familiarize students with the terms 'shares' and 'debentures' and the usage of appropriate terms like dividend and interest.
- Draw attention to the fact that points should neither repeat nor overlap.
- Give practice in writing answers.
- Distinguish between factors affecting working capital, fixed capital and the capital structure.

## MARKING SCHEME

### Question 3

(a)	<p>Features of equity shares:</p> <ul style="list-style-type: none"><li>• Equity shares are called risk capital./ Do not create any charge on the assets.</li><li>• Equity shares are <u>issued prior</u> to preference shares and debentures.</li><li>• Equity shares carry no preferential rights in the payment of dividend and repayment of capital at the time of winding up of the business.</li><li>• Holders of Equity shares enjoy voting rights.</li><li>• Equity shares are entitled to the residual profits of the company.</li><li>• The face value of shares is generally very low/ nominal.</li><li>• The liability of Equity shareholders is limited to the face value of shares subscribed by them/ limited liability.</li><li>• Equity shareholders have the pre-emptive right to subscribe to new shares issued by the company/ right shares.</li><li>• Participation in the management.</li><li>• Equity shares have variable rate of dividend.</li></ul> <p style="text-align: right;"><i>(Any four with brief/one-line explanation)</i></p>
(b)	<p>Factors that affect the capital plan of a company:</p> <ul style="list-style-type: none"><li>(i) Trading on equity</li><li>(ii) Exercise of control</li><li>(iii) Need for flexibility</li><li>(iv) Nature of business</li><li>(v) Cost of financing</li><li>(vi) Period and/ or purpose of financing</li><li>(vii) Capital market conditions</li><li>(viii) Statutory requirements</li><li>(ix) Needs of investors</li><li>(x) Cash flow position</li></ul> <p style="text-align: right;"><i>(Any four with brief explanation)</i></p>

### Question 4

- (a) Briefly explain *any three* demerits of public deposits. [3]
- (b) Differentiate between *line organisation* and *line and staff organisation*. [4]
- (c) Write *five* features of an informal business organisation. [5]

Comments of Examiner

- (a) A number of candidates gave extremely concise explanations for this part. However, some candidates gave features or advantages of public deposits and confused public deposits with debentures or retained earnings. Others confused public deposits with bank deposits.
- (b) Common errors made by candidates while answering this question were as follows:
- Overlapping of points of difference were given.
  - The differences did not correlate.
  - One word answers were given by way of explanation
  - Four distinct differences were not given.
- (c) A number of candidates repeated the points while writing the answer. Several candidates wrote features of 'formal organisation' instead of 'informal organisation'. Many candidates gave a vague and general explanation.

Suggestions for teachers

- Public deposits are an important source of finance and must be taught thoroughly. The features, merits and demerits must be highlighted.
- Students must be asked to give complete explanations if the basis of difference is not given.
- Preferably, differences should be given in a tabular form.
- Mind maps or flow charts can be used to teach these topics.
- Systematic revision of each topic with regular oral and written feedback will help the students.

**MARKING SCHEME**

**Question 4**

- (a) Demerits of public deposits:
- **Uncertainty:** Public deposits are an uncertain and an unreliable source of finance. The depositors may not respond when the conditions in the market are not favourable. Deposits may be withdrawn under unfavourable conditions. Deposits are called fair weather friends. It is not advisable to depend upon them for long term financing
  - **Risk to investors.** Depositors face high risk as they do not get any security for their investment. Management may not use the deposits as it likes.
  - **Restrict growth of capital markets:-**use of public deposits restricts the growth of healthy capital market. It distorts the interest rate pattern and results in the dearth of sound industrial securities. A spurt in public deposits may pose a threat in its credit planning and plan priorities of the Government.
  - **Not available to new firms:-**Public deposits are not available to new companies and those with uncertain earnings.
  - **Speculation:-** Management of a company may indulge in overtrading and speculation with the help of these deposits.
  - No voting rights/ No participation in the management.

*(Any three points)*

(b)	Difference between <i>line</i> and <i>line and staff</i> organisation.		
	<b>Basis</b>	<b>Line organisation</b>	<b>Line and Staff organisation</b>
	Relationship	One type of relationship – one dimension.	Two types of relationship – two dimensions.
	Specialization	Absent	Present
	Cost	Economical	Costly
	Possibility of conflict	Absent	High
	Co-ordination	Easy	Complex
	Top executive	High responsibility	Low responsibility
	Nature	Simple	Complex
	Suitability	Small organization	Large organization
	Burden on top executive	High	low
(Any four)			
(c)	Features of an informal business organisation.		
	(i) It is unplanned and arises spontaneously due to coming together of persons with common interests and attitudes.		
	(ii) It reflects human or social relationships among people.		
	(iii) It is based on common taste, language, religion, culture etc.		
	(iv) The membership of informal organization is voluntary.		
	(v) It has no written rules and regulations. Group's norms serve as the standards of behaviour.		
	(vi) It is not portrayed on the organization chart of the company because there is no definite structure.		
	(vii) It emerges to meet the social and psychological needs of people.		
	(viii) It may cut across departments/levels of management, /does not follow the scalar chain. For example, an accounts clerk, a salesman and a factory supervisor may be member of an informal group.		
	(Any five with brief/one-line explanation)		

**Question 5**

- (a) Why is management considered as a science? [3]
- (b) Differentiate between *centralisation of authority* and *decentralisation of authority*. [4]
- (c) State and explain the principles of management as laid down by F.W.Taylor. [5]

Comments of Examiners

- (a) Some candidates wrote a general explanation in a paragraph instead of stating each point clearly. Several candidates gave the difference between Fayol and Taylor. In many cases the headings were expanded as a way of explanation.
- (b) Common errors made by candidates while answering this question were as follows:
- Basis of differentiation was not stated correctly.
  - Basis of differentiation did not correlate to the explanation given.
  - Points of difference were repeated/ overlapping.
  - Points of difference were interchanged and written under incorrect headings.
  - A few candidates explained Fayol’s principle of centralization.
- (c) Most candidates wrote correct headings but the explanations given by them were incorrect and inadequate. Instead of F.W. Taylor, some candidates gave principles as advocated by Henri Fayol. A number of candidates mixed Principles of Henri Fayol and F.W. Taylor.

Suggestions for teachers

- Stress upon the fact that the principles of management cannot be changed, though explanation can be subjective.
- Stress upon the fact that students should bring lucidity, precision and explicitness in their answers.
- A lot of written practice must be given so as to help students write quality answers.
- For any kind of distinction, stress upon giving specific points.
- Some activities can be conducted in the class to bring about a better understanding of the concepts.

<b>MARKING SCHEME</b>												
<b>Question 5</b>												
(a)	Management is considered as a science because:  Management is a systematized body of knowledge which can be acquired through observation and experimentation. It consists of universally accepted principles which establish relationship between causes and effects.  The essential features of science are as under: (i) Systematized body of knowledge (ii) Principles based on observation and Experiments (iii) Cause and effect Relationships (iv) Universal validity of principles <span style="float: right;"><i>(Any three)</i></span>											
(b)	Difference between centralisation and decentralisation of authority: <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 30%; padding: 5px;">Basis of difference</th> <th style="width: 35%; padding: 5px;">Centralisation of authority</th> <th style="width: 35%; padding: 5px;">Decentralisation of authority</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">Meaning</td> <td style="padding: 5px;">Centralisation of authority at top level of management</td> <td style="padding: 5px;">Dispersal/ delegation of authority at all levels of management</td> </tr> <tr> <td style="padding: 5px;">Role of subordinates/ delegation.</td> <td style="padding: 5px;">Minimum</td> <td style="padding: 5px;">Maximum</td> </tr> </tbody> </table>			Basis of difference	Centralisation of authority	Decentralisation of authority	Meaning	Centralisation of authority at top level of management	Dispersal/ delegation of authority at all levels of management	Role of subordinates/ delegation.	Minimum	Maximum
Basis of difference	Centralisation of authority	Decentralisation of authority										
Meaning	Centralisation of authority at top level of management	Dispersal/ delegation of authority at all levels of management										
Role of subordinates/ delegation.	Minimum	Maximum										

	Main purpose	To ensure control and coordination	To speed up decisions, motivate and develop employees
	Burden on top executives	Heavy	Low
	Suitability	Suitable for small organization	Suitable for large organization
	<i>(Any four)</i>		
(c)	<p>Principles of management as laid down by F.W. Taylor:</p> <ul style="list-style-type: none"> <li>• Science, not rule of thumb</li> <li>• Harmony not discord</li> <li>• Maximum not restricted output</li> <li>• Division of work and responsibility</li> <li>• Scientific selection, training and development of workers.</li> </ul> <p style="text-align: right;"><i>(with brief explanation)</i></p> <p>Explanation:</p> <ol style="list-style-type: none"> <li>1. Each and every job and the method of doing should be based on scientific study and analysis rather than on trial and error.</li> <li>2. Harmony and discord: There should be healthy cooperation between employer and employees. Management should adopt an enlightened attitude and share the gains of productivity with workers. Workers on their part should work with discipline and loyalty.</li> <li>3. Conflict between management and workers on division of surplus can be resolved by increasing the size of surplus by increasing the productivity.</li> <li>4. Taylor suggested separation of planning from operational work. Management should concentrate on planning the job of workers and workers should concentrate on performance of work.</li> <li>5. Workers should be selected and trained keeping in view the job requirement. Each and every worker should be encouraged to develop his full potential.</li> </ol>		

### Question 6

- (a) Explain *any three* objectives of management. [3]
- (b) Explain the terms: [4]
- (i) Labelling
- (ii) Packaging
- (c) Discuss the *first five* steps involved in the process of staffing. [5]

### Comments of Examiners

- (a) Most of the candidates attempted this part correctly. Common errors made by candidates were:
- The features or the importance of management were given.
  - Objectives of marketing were stated instead.
  - Wrong objectives were stated.
  - ‘Development of nation’ was written instead of ‘development of people’.
  - Explanation was vague and lacked accuracy.
- (b) Most candidates managed to explain ‘labelling’ properly. A few candidates confused ‘packaging’ with ‘packing’. Objective of packaging was missing in most of the answers.
- (c) Many candidates wrote steps of recruitment or selection process instead of the process of staffing. Several candidates did not write the correct sequence of steps.

#### Suggestions for teachers

- Use various teaching techniques so that learning similar sounding topics become easier.
- Reinforce that headings should be supported by a proper explanation.
- Meaning, features, importance must be taken up separately and explained well in order to avoid confusion.
- Explain with appropriate examples the difference between packing, package and packaging.
- Train students to write keywords which are essential to bring out clarity.
- Encourage students to follow the correct sequence of steps. Steps should be explained in a chronological order
- The difference between recruitment, selection and staffing must be explained clearly.

### MARKING SCHEME

#### Question 6

- (a) Objectives of Management:
- Profitability
  - Prosperity and growth/productivity
  - Change and innovation
  - Development of people
  - Discipline and morale
  - Effective decision making
  - Building up goodwill
  - Quality goods at reasonable price
  - Proper utilization of resources.

*(Any three with brief explanation)*

(b)	(i)	<p><b>Labelling:</b></p> <p>The term 'labelling' means designing a label to be put on a package. A label is a small slip placed on the product to denote its nature, contents, ownership, destination etc. A label describes the product, its usage and specifies its contents, ownership, destination etc. It is the medium through which the manufacturer gives the necessary information to the user or consumer. Any legal restriction is evidenced through labelling. The packaged commodities order makes it obligatory on the part of the manufacturers to provide information such as name of the product, name and address of the manufacturer, date of manufacture contents and ingredients, maximum retail price, directions for use etc. In case of tobacco products, a statutory warning is required.</p>
	(ii)	<p><b>Packaging:</b></p> <p>Packaging refers to designing and producing appropriate packing material for a product. Various kinds of goods are placed into appropriate containers for protection, convenient handling, makes product attractive and serves as a means of self-advertising.</p> <p style="text-align: right;"><i>(Purpose and benefit)</i></p>
(c)	<p><b>Steps in the process of staffing:</b></p> <p>(i) <b>Human resource planning:</b> It involves forecasting and determining the number and kind of manpower required by the organization in future. The manpower needs of the organization are estimated keeping in view the present activities and future plans such as production schedules, demand forecasts, market trends etc. Its purpose is to obtain the right number of qualified people at the right time. It is an integral part of overall corporate planning. Manpower requirements are estimated with the help of work load analysis and work force analysis. Work load analysis help in assessing the number and types of human resources required for performing various jobs. Work force analysis would reveal the number and type of human resources already working in the organization.</p> <p>(ii) <b>Recruitment:</b> Is the process of searching the prospective employees and stimulating them to apply for jobs in an organization.</p> <p>(iii) <b>Selection:</b> it is the process of choosing from among the pool of candidates created at the recruitment stage. It helps to ensure that the organization gets the best among the available</p> <p>(iv) <b>Placement:</b> it refers to the employee occupying the post for which he has been selected.</p> <p>(v) <b>Orientation:</b> It is the process of introducing the selected employee and familiarising him with the policies and rules of the organization.</p> <p style="text-align: center;"><i>(Each step adequately explained. The steps should be given in the correct order)</i></p>	

### Question 7

- (a) Distinguish between *method* and *procedure*. [3]
- (b) What is *marketing*? State *two* features of the modern concept of marketing. [4]
- (c) Explain the need for consumer protection. [5]

Comments of Examiners

(a) Many candidates lacked conceptual clarity and could not answer this question correctly. Several candidates could not identify three distinct points of difference. Points of difference written by some candidates did not correlate.

(b) Some candidates wrote the 'meaning of market' instead of the 'meaning of marketing'. A few candidates wrote the traditional definition. A number of candidates presented the definition in their own words and missed out the keywords essential to bring out the complete meaning.

(c) Most candidates answered this question correctly. Some candidates explained the 'rights of consumers' instead of the 'need for consumer protection'. In some cases, the headings were not accompanied by correct explanation.

Suggestions for teachers

- Teach type of plans in detail along with differentiation between each type of plan.
- Group discussion and examples must be taken up in class.
- Inculcate in the students the habit of reading, understanding and then answering the questions.
- Systematic revision will help avoid confusion.

<b>MARKING SCHEME</b>		
<b>Question 7</b>		
(a)	<b>Method</b>	<b>Procedure</b>
1	Prescribes the specific manner of performing the task	Chronological sequence of steps
2	Limited in scope	General
3	More detailed	Less detailed, cuts across departments
4	Constitutes part of the procedure	Includes method
5	Standardized ways of accomplishing repetitive and routine jobs	Are designed to execute policies and achieve objectives.
6	Not associated directly with control	Facilitates control by exception
<i>(Any three)</i>		
(b)	<p>Marketing:</p> <p>Marketing is a total system of interacting business activities designed to plan, price and promote and distribute want satisfying goods and services to present and potential customers.</p> <p>Features:</p> <ul style="list-style-type: none"> <li>• Customer orientation</li> <li>• Integrated approach</li> <li>• Marketing research</li> <li>• Marketing planning and control</li> </ul>	
<i>(Any two with brief explanation)</i>		
(c)	Need for consumer protection:	

- Consumers are the purpose of business
- Business as a means of human welfare
- Multiple objectives
- Growth with social justice
- Stakeholders approach
- Theory of trusteeship/Responsibility with power.
- Business ethics/code of conduct.
- Self-interest
- Consumers may be unaware/ignorant consumers.
- Protection from unfair trade practices.

(Any five with brief introduction)

### Question 8

- (a) State *three* objectives of sales promotion. [3]
- (b) Explain the meaning of e-banking. State *any three* features of e-banking. [4]
- (c) Explain *five* factors that affect the pricing decision of a product. [5]

#### Comments of Examiners.

- (a) Some candidates wrote the objectives of Advertising in place of the objectives of sales promotion. In some cases, 'objectives of sales promotion' were confused with the 'features of sales promotion'. Some candidates got confused between 'sales promotion' and 'personal selling'. Several candidates gave a general paragraph on sales promotion.
- (b) Many candidates were not able to define e-banking properly as essential keywords were missing in their answers. Some candidates gave advantages of e-banking instead of its features. A few candidates explained NEFT or RTGS instead of e-banking.
- (c) A few candidates gave vague answers by making up their own points. In some cases, inappropriate and inadequate explanations were given under correct headings.

#### Suggestions for teachers

- Explain elements of sales promotion clearly in terms of features, objectives and meaning.
- Highlight the difference between advertising, sales promotion, and personal selling.
- Explain to students that electronic fund transfer is a service provided under E-banking, it is not E-banking.
- Stress upon the fact that expansion of the header is not an explanation. The answer should contain a proper explanation covering the meaning, features and objectives along with advantages and disadvantages.

### MARKING SCHEME

#### Question 8

- (a) Objectives of sales promotion:
- Inspire on the spot buying
  - Increase immediate sales
  - Clear old stocks

	<ul style="list-style-type: none"> <li>• Supplement advertising and personal selling</li> <li>• Generate demand during off-season</li> </ul> <p style="text-align: right;"><i>(Any three with brief explanation)</i></p>
(b)	<p>Meaning of e-banking: E-banking means banking transactions carried with the help of <u>computer systems/ Electronic device</u>. It is banking over the <u>internet</u>. It is a part of virtual banking.</p> <p>Features of e-banking:</p> <ul style="list-style-type: none"> <li>• Customer gets 24 hours and 365 days a year services, using personal computer/ laptop/ any other electronic device.</li> <li>• It is a part of virtual banking.</li> <li>• Customers can make the permitted transactions from residence or office and even while travelling. They need not go to the bank.</li> <li>• It gives sense of security to the customers. They do not face the risk of carrying cash.</li> <li>• Main forms of e-banking are: Electronic funds transfer system/NEFT/RTGS, ATM, Debit Card, Credit Card, core banking solution and SMS alert.</li> </ul> <p style="text-align: right;"><i>(Any three)</i></p>
(c)	<p>Factors that affect the pricing decision of a product:</p> <ul style="list-style-type: none"> <li>• Cost</li> <li>• Demand</li> <li>• Competition</li> <li>• Objective</li> <li>• Quality and service</li> <li>• Buying motives</li> <li>• Promotional strategy</li> <li>• Risk</li> <li>• Government control</li> </ul> <p style="text-align: right;"><i>(Any five with explanation)</i></p>

### Question 9

Write short notes on:

- |     |                     |     |
|-----|---------------------|-----|
| (a) | SWOT analysis.      | [4] |
| (b) | Marketing research. | [4] |
| (c) | Bank overdraft.     | [4] |

Comments of Examiners

- (a) A number of candidates, expanded the word SWOT but did not explain SWOT analysis as a whole. In some cases, only examples were given.
- (b) A few candidates got confused and wrote that it is the consumer who does the market research.
- (c) Many candidates confused between bank overdraft with bank draft/demand draft. Several candidates explained debt card and credit card instead of bank overdraft. In most cases, the necessity of having a current account in order to avail the facility of bank overdraft was not mentioned.

Suggestions for teachers

- Explain when an abbreviation is to be expanded and when it is to be analysed. The difference must be brought out.
- Give students different types of questions so that the students get used to answering them.
- Highlight the fact that a proper detailed explanation should be given.
- Explain as to why marketing research is undertaken. The concept of marketing research must be crystal clear.
- While answering a question on short notes, the meaning, objective, features merits and demerits must be written.
- Clarify the differences between similar sounding words.
- Visiting a bank would help a student to effectively retain the subject matter.

**MARKING SCHEME**

**Question 9**

(a)	SWOT analysis:  SWOT analysis means analysis of Strengths (S), Weakness (W), Opportunities (O), and Threats (T).  1. A <b>strength</b> is an inherent capacity which help a company to gain a strategic advantage over its competitors/ for example huge financial resources or latest technology. 2. A <b>weakness</b> is an inherent limitation or constraint of a company which creates a strategic disadvantage/ for it example unknown brands, poor financial position or obsolete technology. 3. A <b>threat</b> is an unfavourable condition in the company’s external environment an environment/ e.g. political corruption, increasing competition, risks in foreign market. 4. An <b>opportunity</b> is a favourable condition in the company’s external environment which enables it to strengthen its position. / Economic liberalization and globalization offers an opportunity to companies which want to enter banking insurance and telecommunications sector market.
(b)	Marketing research:

	<p>Meaning: Marketing research refers to scientific and systematic gathering, recording and (analysing of data – optional) about marketing problems to facilitate decision making.</p> <p>I. Technique of conducting marketing research:</p> <ul style="list-style-type: none"> <li>• Trade journal with explanation</li> <li>• Consumer associations</li> <li>• Government publications</li> <li>• Services of trained investigators</li> </ul> <p>II. Advantages/importance:</p> <ul style="list-style-type: none"> <li>• It provides a sound basis for formulating marketing strategies and policies.</li> <li>• The potential demand for a product or service can be estimated.</li> <li>• The actual needs, tastes and preferences of consumers can be ascertained.</li> <li>• New products can be tested before launching them for sale in the market.</li> <li>• New uses of existing products can be found and new market can be developed for sale.</li> <li>• The attitude of customers towards the products can be judged.</li> <li>• The competitive strength and brand image of a product can be judged.</li> <li>• The effectiveness of distribution channels, advertising methods, etc. can be measured.</li> </ul>
(c)	<p>Bank overdraft:</p> <p>1.(It is a kind of temporary financial accommodation extended by the bank to its regular customers.) Under this arrangement a 2(customer having a current account) with a 3(bank is allowed to overdraw his account at a specific amount/ upto specified a/m A business enterprise can enter into this arrangement to take care of a temporary working capital. 4(Interest is charged on the amount actually overdrawn) and not on the amount sanctioned by the bank. 5(The borrower does not to seek the approval of the bank every time it is overdrawing.) 6(a/m sanctioned depends upon creditworthiness.</p> <p style="text-align: right;"><i>(Any four)</i></p>

## **GENERAL COMMENTS:**

### **(a) Topics found difficult by candidates in the Question Paper:**

Question 1 (ii) Circulating capital.

(iii) Participating preference shares.

(v) Why is feedback an important element in the communication process?

(vii) What is meant by a product?

(ix) What are bonus shares?

Question 3 (b) Explain four factors affecting the capital structure of a company.

Question 6 (c) Discuss the *first five* steps involved in the process of staffing.

Question 7 (a) Distinguish between method and procedure.

Question 7 (b) Features of modern concept of marketing.

### **(b) Concepts in which candidates got confused:**

- Components of legal environment with political environment.
- Co-ordination with essence of co-ordination
- Management by exception.
- Principles of F.W. Taylor with principles of Henri Fayol.
- Objectives of management with importance of management.
- Steps of staffing with steps in selection and recruitment.
- Objectives of sales promotion.
- Bank overdraft with Bank draft.

### **(c) Suggestions for candidates:**

- Regular studies are essential in order to score marks.
- Selective studies must be avoided.
- Explanations must co-relate with the heading and should be complete.
- Utilize the reading time effectively. Chalk out the questions to be attempted.
- Understanding the requirements of the question before attempting the answer. Solve the past years' papers.
- Be regular in class. The keywords that bring out the complete meaning must be underlined and included in the answer.