

COMMERCE

Maximum Marks: 80

Time Allotted: Three Hours

Reading Time: Additional Fifteen Minutes

Instructions to Candidates

- You are allowed **additional fifteen minutes** for **only** reading the question paper.
- You must **NOT** start writing during reading time.
- This question paper has **8** printed pages.
- There are **13** questions in the paper. All questions are compulsory.
- It is divided into **three sections: A, B and C.**
- **Section A** has **sixteen subparts** which are very short answer questions. Each question carries 1 mark.
- While attempting **Multiple Choice Questions** in Section A, you are required to **write only ONE option as the answer.**
- **Section B** has **eight questions** which are short answer questions. Each question carries 4 marks.
- **Section C** has **four questions** which are long answer questions. Each question carries 8 marks.
- **Internal choices** have been provided in **two questions in Section B** and in **one question in Section C.**
- The intended marks for questions are given in brackets [].

Instruction to Supervising Examiner

- Kindly read **aloud** the Instructions given above to all the candidates present in the examination hall.

SECTION A – 16 MARKS

Question 1

- (i) A company is facing liquidity crunch, hence offers relatively higher interest rates for upfront borrowing in comparison to commercial banks. [1]

Which source of short-term finance would be suitable in the above case?

(Understanding)

- (a) Factoring
- (b) Customer advances
- (c) Public Deposits
- (d) Instalment credit
- (ii) The Supreme Court clarified that its firecracker restrictions are applicable not only to Delhi-NCR but to all states. It directed state governments to control air and noise pollution, addressing petitions seeking a nationwide ban on the sale and use of firecracker. The court emphasised the importance of raising awareness and noted its previous orders must be implemented. [1]

(Source (edited): Economic Times-Nov 07, 2023, 12:22:00 PM IST)

How does the decision of the Supreme Court affect the businesses?

(Analysis)

- (P) Changes in preference of people affect consumer spending.
- (Q) Political changes influence the decisions of the business.
- (R) Judicial decisions impact business.
- (S) Social concerns change the mindset of consumer.
- (a) (P), (Q) and (R) are correct.
- (b) (P), (R) and (S) are correct.
- (c) (Q), (R) and (S) are correct.
- (d) (P), (Q) and (S) are correct.
- (iii) Which one of the following is a disadvantage of e-Banking? [1]

(Recall)

- (a) It gives a 24×7 access to customers.
- (b) Monitoring of each transaction by the customer inculcates financial discipline.
- (c) It reduces the load on the branch of the bank.
- (d) It requires technological proficiency on the part of bank and customer.

(vii) Study the relation between first and the second words given below and fill in the fourth word on that basis. [2]
(Analysis)

(a) Commodity Market: Gold :: Capital Market: _____

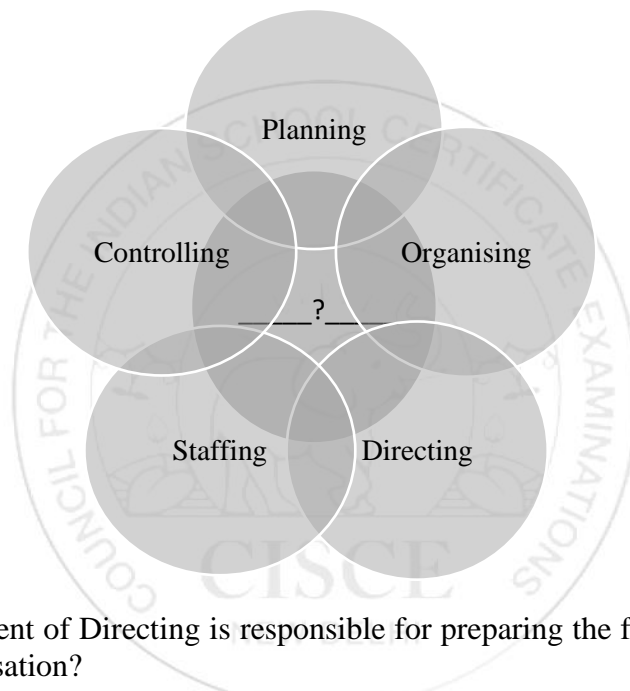
(b) Advertiser: Advertising :: Publicity _____

(viii) State whether the following are **TRUE** or **FALSE**. [1]
(Recall)

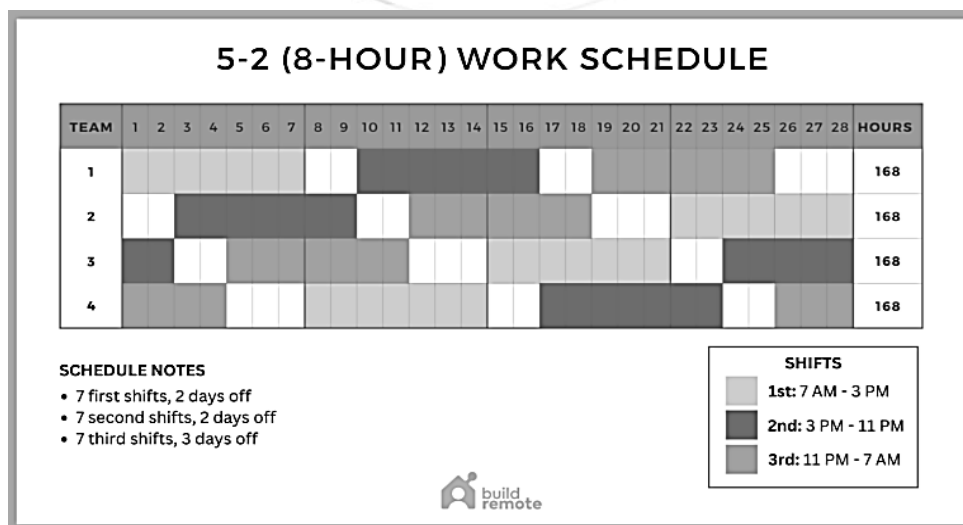
(a) A company can identify its strengths by analysing its external micro environment. [1]

(b) Planning helps in identifying deviations and taking corrective actions. [1]

(ix) The diagram below shows that _____ is inherent in all the functions of management [1]
(Understanding)



(x) Which element of Directing is responsible for preparing the following chart in an organisation? [1]
(Analysis)



(Source: buildremote.com)

- (xi) Aradhya bought a tricycle online, but upon delivery found that its dimensions were not as big as she had expected. When attempting to return it, she realised that the item was non-returnable. [1]
Which consumer responsibility was overlooked by her? **(Understanding)**
- (xii) Fretta Tech Ltd. has expanded and opened multiple branches. To cope with the situation, the CEO starts transferring some of his authority to the General Manager. The General Manager feels overburdened and with the approval of the CEO disperses a part of his authority to different levels of management throughout the organisation. [1]
Which concept of management has made Fretta Tech Ltd. a decentralised organisation? **(Understanding)**
- (xiii) Mohan, the manager of a business organisation, is very lax with his employees and subordinates. He does not give them parameters or rules for reporting to work and deadlines for completion of assignments. [1]
Which principle of management given by Henri Fayol is **NOT** being followed by Mohan? **(Understanding)**
- (xiv) Given below are two statements marked as Assertion and Reason. Read the statements carefully and choose the correct option. [1] **(Analysis)**
Assertion: Consumers must always be conscious of quality certification marks.
Reason: Quality certification marks act as a proof of purchase while filing a case in the Consumer Court.
- (a) Both Assertion and Reason are true and Reason is the correct explanation of Assertion.
(b) Both Assertion and Reason are true but Reason is not the correct explanation of Assertion.
(c) Assertion is true and Reason is false.
(d) Both Assertion and Reason are false.

SECTION B – 32 MARKS

Question 2 [4]

- (i) Illustrate *any four* ways by which comprehensive planning contributes to goal alignment within different levels of a business organisation. **(Understanding)**

OR

- (ii) Outline *any four* benefits of decentralisation that enhance the overall resilience of an organisation in the face of unforeseen challenges. **(Understanding)**

Question 3 [4]

Elucidate *any four* factors affecting the capital structure of a joint stock company.

(Understanding)

Question 4 [4]

Background tech solutions, a rapidly growing start-up company, faced the challenge of attracting and retaining ‘top talent’ in a competitive market. To address this, the company decided to implement a shares programme aimed at rewarding and incentivising key employees and directors.

Name and explain the type of shares that can be issued by the company.

(Understanding)

Question 5 [4]

Outline *any four* fundamental characteristics of effective management in a modern business organisation.

(Understanding)

Question 6 [4]

XYZ manufacturing company faced challenges related to the following issues:

- (i) The communication channels within the organisation were not clearly defined by the management, causing delays and misunderstandings.
- (ii) The workplace was disorganised for both employees and material resources, affecting the overall efficiency.

Which principles of Henri Fayol can be applied to overcome the above challenges? Explain.

(Application)

Question 7 [4]

Discuss the interplay between the goal setting during Planning phase and the use of these goals as benchmarks for performance evaluation in Controlling phase.

(Understanding)

Question 8 [4]

Enumerate *any four* distinctions between Marketing and Selling.

(Recall)

Question 9 [4]

- (i) As Packaging Manager of a leading manufacturing company, provide *four* specific features which you would take into consideration while designing the packaging for a smart phone.

(Understanding)

OR

- (ii) As a Marketing Manager, explain *any four* objectives of Advertising you will familiarise a new sales team with, during their training and orientation sessions.

(Understanding)

SECTION C – 32 MARKS

Question 10

- (i) What are the *five* key points that highlight the significance of Environmental scanning in guiding organisations to adapt to rapidly changing business environment? [5]
(Recall)
- (ii) Explain *any three* fundamental differences between Recruitment and Selection. [3]
(Understanding)

Question 11

- (i) As a Financial Manager for a growing tech start up, evaluate *three* advantages and *two* disadvantages of choosing debt financing for your long-term capital needs. [5]
(Evaluate)
- (ii) Identify and explain *two* features of a plastic money having an overdraft facility which is issued by the commercial bank to its customers. [3]
(Understanding)

OR

- (i) Anjum is a first-time investor wanting to invest ₹10 lakhs in long term capital appreciation. She is willing to take risks in return for high growth. [5]
Which type of security should she invest in? Suggest *any four* features of this type of security. (Application)
- (ii) Identify an electronic fund transferred in batches and state *any two* of its features. [3]
(Recall)

Question 12

- (i) The concept of marketing is customer centric which aims to achieve long term business growth. Justify the statement by explaining *any five* objectives of marketing. [5]
(Understanding)
- (ii) TeeJay Sales, a popular electronic retailer, sold a batch of smartphones with malfunctioning batteries to its customers. The manufacturing company misrepresented the products specifications in its advertisement. On being approached by the grieving customers, TeeJay sales refused to entertain any complaints from the customers or replace or refund the products. [3]
State and explain *any three* rights of the consumers which were violated in this case, as per the Consumer Protection Act, 2019. (Understanding)

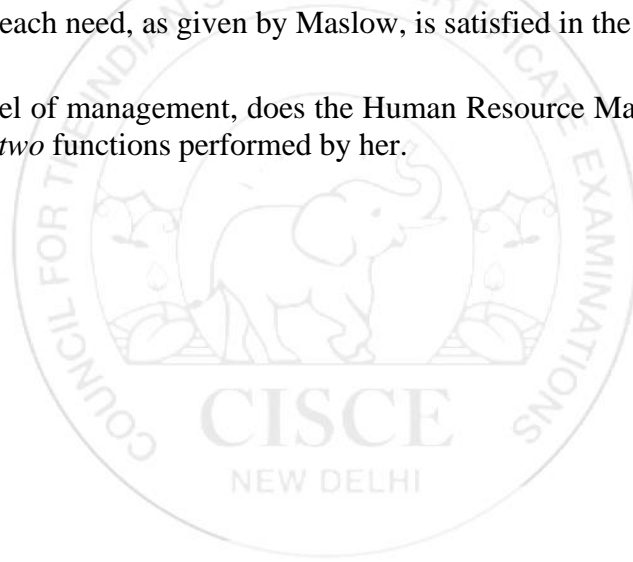
Question 13

Read the passage given below and answer the questions that follow.

By applying Maslow's Hierarchy of needs, the Human Resources Department in organisations strive to make the workplace a second home for the employees. The professional employees who studied Psychology and Organisational Behaviour create good working conditions in the workplaces. In offices, one can find comfortable places, places to rest and nap, kitchen and plenty of food and drinks, and transportation facility. Training programmes are conducted for employees on principles and ethics of workplace and respect for fellow employees. Some organisations also have rewarding systems club membership, profit shares and promotion, retirement plan and social insurance, medical insurance and annual paid vacations. All these conditions and benefits have a great impact on the behaviour of employees which eventually impacts the work environment and business of the organisation.

(Source, Alaa Etman (edited): Egypt case: How companies can use Maslow's Hierarchy of needs to enhance the motivation of their workforce?)

- (i) Discuss how each need, as given by Maslow, is satisfied in the above case. [5]
(Analysis)
- (ii) To which level of management, does the Human Resource Manager belong? [3]
Mention *any two* functions performed by her. (Recall)





COMMERCE

ANSWER KEY

SECTION A – 16 MARKS

Question 1

In answering Multiple Choice Questions, candidates have to write either the correct option number or the explanation against it. Please note that only ONE correct answer should be written.

- (i) (c) Public Deposits [1]
- (ii) (b) (P), (R) and (S) are correct. [1]
- (iii) (d) It requires technological proficiency on the part of bank and customer. [1]
- (iv) (a) Increase in the disposable income of the people. [1]
- (v) (c) Unity of Command [1]
- (vi) (a) Sales Promotion [1]
- (vii) (a) Financial institutions / Stock exchange [1]
(b) Media [1]
- (viii) (a) True [1]
(b) False [1]
- (ix) Coordination [1]
- (x) Supervision [1]
- (xi) Asking for full information [1]
- (xii) Delegation of authority [1]
- (xiii) Discipline [1]
- (xiv) (c) Assertion is true and Reason is false. [1]

SECTION B – 32 MARKS

Question 2

[4]

(i) **Contribution of Planning to goal alignment**

- Planning sets out standards for **Controlling** in an organisation. **Planning provides directions.** It ensures that the objectives are certainly asserted so that they serve as a model for determining what action should be taken and in which direction. If objects are well established, employees are informed of what the company has to do and what they need do to accomplish those purposes.
- **Planning decreases the chances of risk:** Planning is an activity which permits a manager to look forward and predict changes. By determining in prior the tasks to be completed, planning considers the way to deal with changes and unpredictable effects.
- **Planning decreases overlapping and wasteful activities:** Planning works as the foundation of organising the activities and purposes of distinct branches, departments, and people. It assists in avoiding chaos and confusion. Since planning guarantees precision in understanding and action, work is conducted easily without delays.
- **Planning encourages innovative ideas:** Since it is the primary function of management, new approaches can take the form of actual plans. It is the most challenging project for the management as it leads all planned actions pointing to growth and of the business.
- **Planning aids decision making:** It encourages the manager to look into the future and decide from amongst several alternative plans of action. The manager has to assess each option and pick the most viable plan.

(Candidates are required to highlight any four ways. Each point must be explained briefly.)

OR

(ii) **Benefits of Decentralisation in the event of unforeseen challenges**

- Motivation of Subordinates / Satisfaction of Human needs
- Growth and Diversification
- Quick Decision Making
- Efficient Communication
- Ease of Expansion
- Better Supervision and Control
- Top executives can focus on important matters.

(Candidates are required to give a brief overview of any four benefits of decentralisation in the event of unforeseen challenges in an organisation. These should NOT be generic benefits of decentralisation. Each benefit should be written in a complete sentence and not phrases.)

Question 3

[4]

Factors affecting capital structure

- Business risk
- Industry averages
- Company's tax status
- Application of financial models
- Expected cash flows
- Stability of sales
- Control over the company
- Flexibility of financial structure
- Cost of floating the capital
- Period of financing
- Market conditions

(Candidates are required to briefly explain any four factors that affect capital structure of a joint stock company.)

Question 4

[4]

Sweat equity shares can be issued by the company.

These are a type of equity share that a company issues to its employees or directors. The shares are issued at a discount or for consideration other than cash. The purpose of issuing sweat equity shares is to motivate employees to work harder and contribute to the company's success.

Sweat equity shares can be issued for providing know-how or for making intellectual property rights available.

The sweat equity shares issued to employees or directors must be subject to a lock-in period of three years from the date of allotment. During the lock-in period, the shares cannot be transferred or sold by the employee or director who has been issued the shares.

(Candidates' answer must contain the underlined statements or parts. Any other correct explanation of sweat equity shares will be accepted.)

Question 5

[4]

Fundamental Characteristics of Effective Management

- It is a goal-oriented process.
- It is all pervasive.
- It is multi-dimensional i.e., management takes place in three domains: Work, People and Operations.
- It is a continuous process.
- It is a group activity.
- It is a dynamic function.
- It is an intangible force.

(Candidates are required to write any four fundamental characteristics relevant to a modern business organisation, in complete sentences and not phrases.)

Question 6**[4]****(i) Scalar chain**

The formal line of authority from highest to lowest ranks is known as the scalar chain. This principle by Henri Fayol needs to be enforced in XYZ company as it will establish the chain of authority and communication that from top to bottom in hierarchy and will be followed by managers and subordinates.

(ii) Order

This principle states that there should be an orderly placement of human and material resources in the right place at the right time. An implementation of this principle in XYZ company will ensure the proper use of resources in a structured fashion.

(Candidates have to briefly explain each of the principles of Henri Fayol as applicable to the given situation.)

Question 7**[4]****Interplay of Planning and Controlling**

Planning and Controlling are intertwined and complementary functions. They coexist in an organisation. Planning specifies the goals for an organisation, while Controlling ensures the accomplishments of these goals. Planning also determines the process of control while Controlling provides the basis for planning.

As a process, planning involves creative thinking and judgment. Controlling ensures that these thoughts and decisions are converted into desired actions. Planning and Controlling are both backward-looking and forward-looking functions. Planning is prescriptive, while controlling is evaluative.

Controlling provides feedback to planning by identifying areas for improvement. By assessing the performance against the plans, it provides a review and thus ensures that future performance matches the planned performance.

(Candidates are required to discuss the ways in which Planning and Controlling affect each other. They must discuss the above underlined points to bring out the interplay. Any other relevant idea that shows the reciprocal nature of the two will be accepted.)

Question 8**[4]**

Differences between Marketing and Selling

Basis	Marketing	Selling
Meaning	Marketing implies understanding the customers' needs and introducing a product accordingly.	It is a transfer of product from the manufacturer to the customer in exchange for the money.
Approach	Customer-oriented approach is followed.	Product-oriented approach is followed.
Strategy	Marketing adopts pull strategy.	Selling follows push strategy.
Target Audience	The targets audience for marketing is the general public.	It targets specific individuals and companies.
Tenure	It involves planning and is long-term.	It is immediate and hence considered as short-term.
Primary aim	Its main aim is to create products that provide fulfil customers' requirements and provide them maximum satisfaction.	It aims at attracting the buyers to Influence the target audience to become buyers of the product
Scope	The scope of marketing is varied and includes advertisement, customer support, after sales service etc.	Sales is narrow and limited only to selling of a product.

(Candidates have to state any four differences between Marketing and Selling. The differences can be explained in a paragraph too and need not necessarily be in a tabular form. However, the basis of distinction should be common and clearly mentioned.)

Question 9**[4]**

(i) Features of a good packaging to be considered as a Packaging Manager:

- Convenient to use
- Attractive and fascinating
- Complies with the law
- Creative and original
- Economical / Cost effective
- Protective / Durable
- Communicative of the purpose
- Environment friendly

(Candidates are required to state any four features of packaging, in complete sentences, which they will consider as a Packaging Manager. Any other feature relevant to the answer, apart from the ones listed above, will be accepted.)

OR

- (ii) Objectives of Advertising that a Marketing Manager must orient the team on
- Introduce a product to the customer
 - Inform the customer about the product
 - Brand building
 - Increasing sales
 - Creating demand for the product
 - Engagement
 - Expanding customer base
 - Changing customers' attitudes

(Candidates have to briefly explain any four objectives that a new team must be familiarised with. Any other objective relevant to the answer, apart from the ones listed above, will be accepted.)

SECTION C – 32 MARKS

Question 10

- (i) Importance of business environment [5]
- Identify opportunities: The business environment helps companies identify opportunities and gain a first-mover advantage.
 - Identify threats: The business environment helps companies identify threats and early warning signals.
 - Use resources: The business environment helps companies tap into useful resources.
 - Cope with changes: The business environment helps companies cope with rapid changes.
 - Planning and policy: The business environment helps companies with planning
- (ii) [3]
- **Meaning:** Recruitment is an activity of searching candidates and encouraging them apply for it while Selection refers to the process of choosing the best candidate from a pool of applicants and offering the job.
 - **Approach:** Recruitment is positive in approach as it attracts the candidates to apply for a job. On the contrary, Selection can be termed as negative as it eliminates the candidates until a suitable one is found.
 - **Objective:** Recruitment aims at inviting the eligible applicants for the vacant post. Selection, on the other hand, is picking up the most suitable candidate and rejecting the rest.
 - **Key Factor:** Recruitment is concerned with advertising the job while Selection focuses on the appointment of the chosen candidate.
 - **Sequence:** Recruitment precedes Selection. It is a preliminary step while Selection follows recruitment and is the concluding step.
 - **Time:** Recruitment consumes less time as it notifies through multiple channels. Selection is evaluative in nature which involves a scrutiny of the candidates and so requires more time.

- **Process:** The process of recruitment is simple in which vacancies are notified by the firm through various sources and application form is made available to the candidates. Selection is a complex process in which the firm makes the applicants clear various levels like submitting form, written test, interview, medical test etc.

(Candidates are required to explain any three basic distinctions. There must be a common basis of distinction. Any other correct distinction, apart from the abovementioned ones, will be accepted.)

Question 11

- (i) Advantages of debentures from company's point of view [5]

- The company's control remains in the hands of its shareholders, even the profit-sharing ratio remains the same.
- Debenture's holders are paid off first, as it is treated as a liability to the business.
- The use of debentures can encourage long-term funding to grow a business. It is also cost-effective when compared with other forms of lending.
- Valuable financial protection and reassurances are provided for directors as regards their personal funds.
- Benefit of trading on equity

Disadvantages (from company's point of view)

- The interest payment is a financial burden on a company because it must pay the interest dues to the debenture holders even if it faces monetary loss.
- Issuing debentures assists a company in trading on equity. However, such debt instruments make it reliant on debt. Often, an imbalanced debt-equity ratio hampers the financial viability of a company.
- Redeeming debentures causes a huge cash outflow which may imbalance a company's liquidity.

(Candidates are required to judge three advantages and two disadvantages of debt financing. Each advantage and disadvantage must be written in reference to the situation and not irrespective of it.)

- (ii) Credit card facility is issued by the bank to its customers. [3]

Features

- A credit card comes with a bank-approved credit limit. This limit defines the amount that the credit holder can spend using that card.
- The credit amount must be paid back by the holder to the bank on the due date, which is mostly after 30 days of making the purchase.
- The limit on the credit card is decided by the bank, depending on the customer's credit score and credit history.
- In its appearance, a credit card is a thin, rectangular, plastic, or metal card that can be swiped to make payments.
- Each credit card has a grace period, which is the time in which the customer should repay the amount borrowed from the credit card limit to the bank.

(Candidates have to briefly explain any two features of the credit card facility. Headings are not mandatory.)

OR

- (i) Anjum should invest in Equity shares. [5]

Features of equity shares:

- Permanent shares: Stocks are permanent.
- Significant returns: Stocks can bring big profits to shareholders
- Dividends: Participants share the profits of the company
- Voting right: Most of the participating shareholders have voting rights
- Pre-emptive right
- Equity shares participate in the surplus profit of the company
- Equity shares are highly liquid investments
- Participate in the management of the company

(Candidates have to first identify the type of security that Anjum should invest in. They should then specify any four of its features)

- (ii) NEFT stands for National Electronic Funds Transfer. It is an electronic payment system that allows individuals, companies, and organizations to transfer funds between bank accounts. NEFT transactions are processed in batches and settled in hourly intervals throughout the day. [3]

Features of NEFT include:

- It is available 24/7.
- It saves time and effort.
- Payments are made electronically.
- There is no minimum limit on the money that can be transferred using the NEFT system.
- Maximum amount of funds which can be transferred, if one does not have a bank account, is 50,000.

(Candidates have to write any two features of NEFT in complete sentences and not phrases.)

Question 12

- (i) Five Objectives of Marketing [5]

- Customer satisfaction: The primary objective of marketing is to satisfy the needs of consumers by producing the right products and services at the right time, right place and right price. All marketing activities are guided by information concerning what customers expect from business. No business enterprise can survive and grow in the long run unless it provides full satisfaction to consumers.
- Profitability: A business enterprise is an economic institution. It must earn profits otherwise it cannot survive and prosper. But profits should be achieved through customer satisfaction.
- Coordination and Integration: Marketing must aim at bringing about an effective coordination and integration between product, price, promotion and distribution. It must also ensure coordination between marketing and business activities such as manufacturing, finance, personnel, etc.

- Service to society: Marketing should focus on improving the quality of living of people by providing a wide variety of quality products and services at reasonable prices. According to Malcom McNair, “Marketing is the creation and delivery of a standard of living to society”. Marketing should also be oriented towards conservation of national resources and protection of environment.
- Creation of Demand: A business firm can sell goods and services only when there are customers willing to buy them, therefore, the first purpose of marketing is to create demand for goods and services. For this purpose, marketing finds out the needs and preferences of customers.

(Candidates have to explain those five objectives of marketing that justify the statement given in the question.)

(ii) Rights of consumers violated.

[3]

- Right to Information: Consumers have the right to be informed about the quality, quantity, potency, purity, standard, and price of goods and services.
- Right to be Heard: Consumers have the right to have their interests heard and their problems considered at the right forums. This also includes the right to be represented in forums that consider consumer welfare.
- Right to Seek Redressal: Consumers have the right to seek redressal.

(Candidates have to identify the three rights of consumers that were violated by TeeJay Sales. They are required to explain each right briefly.)

Question 13

(i) Maslow’s theory

[5]

Maslow’s hierarchy of needs is a theory about what motivates and fulfils humans. It states that five categories of human needs dictate an individual's behaviour:

1. Physiological needs

Physiological needs are the basic needs for food, water, sleep etc. They are also called survival needs. In the given passage, the organisation fulfils the physiological needs of its employees by providing them comfortable working conditions, places to rest, kitchen facility.

2. Safety needs

These needs include physical safety against accidents, fire etc and economic security against sickness, old age etc. With reference to the above case, the organisation takes care of the safety needs by providing its employees with social insurance and medical insurance schemes.

3. Love and belonging needs

Love and belonging needs are the need for association and friendship with others. The organisation ensures the fulfilment of these needs by giving certain opportunities to its employees outside workplace and gives them club memberships, annual paid vacations etc.

4. Esteem needs

Esteem needs include self esteem and esteem for others which is self confidence, power, prestige etc. The organisation has a rewarding system, profit shares and promotion opportunities for its employees to ensure the fulfilment of esteemed needs.

5. Self-actualisation needs

Self-actualisation needs refer to the employees' needs for growth and self fulfilment. The organisation provides its employees with training programmes on principles and ethics of workplace for employees to grow and learn.

(Candidates have to discuss each need given by Maslow in relation to the passage given in the question. Each need must be corelated with the provisions made by the company.)

(ii) Middle level

[3]

- Interpret the policies to lower management.
- Taking decisions regarding the number of personnel in the department.
- Assigning duties and responsibilities to employees in their department

(Candidates have to mention any two functions of a Human Resources Manager.)

