

SAMPLE QUESTION PAPER

Commerce

Instructions

Time : 3 hrs Max. Marks : 80

1. Candidates are allowed additional 15 minutes for only reading the paper. They must not start writing during this time.
2. Answer all questions in Section-A, B and C.
3. Section-A consists of objective/very short answer type questions.
4. Section-B consists of short answer questions.
5. Section-C consists of long answer questions.
6. The intended marks for questions or parts of questions are given in brackets [].

■ Section A

[16 Marks]

1. (i) In summer, demand for air conditioners rises. This is an example of which feature of business environment? [1]
(a) Dynamic
(b) Inter-relatedness
(c) Complexity (d) Uncertainty
- (ii) Which one of the following phrases reflects the marketing concept? [1]
(a) The supplier is a king in the market
(b) Marketing should be viewed as hunting not gardening
(c) This is what I make, won't you please buy it
(d) This is what I want, won't you please make it
- (iii) Which of the following is an association of trade and is engaged in the protection of consumer's interests? [1]
(a) SEBI (b) RBI
(c) CII (d) ICICI
- (iv) Which of the following statements is correct about informal organisation? [1]
(a) All departments in an organisation reports to a coordinating head
(b) Network of personal and social relationships that arise as a result of frequent interaction and communication among employees
(c) This structure is created intentionally by the managers for achievement of organisational goal
(d) The flow of information is from low level to top level is slow and takes time
- (v) Mr. Anand wants to buy a LCD for his family. When he visited Vijay Electronics to make the purchase, he got confused. Which promotional tool brought him to the shop and which promotional tool is required now to remove his confusion? [1]
(a) Advertising, personal selling
(b) Personal selling, advertising
(c) Sales promotion, personal selling
(d) Public relations, advertising

- (vi) It is always noticed that efficient management motivates employees to adopt changes by convincing them. Which point of importance of management is discussed here? [1]
 (a) Management helps in achieving personal objectives
 (b) Management helps in achieving group goals
 (c) Management helps in the development of society
 (d) Management creates dynamic organisation
- (vii) State whether the following statements are true or false [4]
 (a) In directing, co-ordination is required between superior and subordinates, between orders, instructions, guidelines and suggestions, etc.
 (b) Threats refer to the internal environment trends and changes that will hinder a firm's performance.
 (c) Public deposits do not usually create any charge on the assets of the company.
 (d) Advertising refers to the face-to-face communication between a seller or his representative and the buyer.
- (viii) is a process through which harmony is established among different activities of an organisation. [1]
- (ix) is the type of plan which is time bound and linked with measurable outcome. [1]
- (x) Prashant Sharma, Marketing Manager of Havala wires, is facing the problem of poor sales. What mode of communication he can adopt to target the large population? [1]
- (xi) Richa went to a shop to buy chocolate but there were no 'MRP' printed on the packet of chocolate.
 Identify the right of the consumer which has been violated in the above case. [1]
- (xii) "In the absence of one of the managerial functions, planning goes unchecked". Identify the function highlighted in the given statement. [1]
- (xiii) **Assertion (A)** Sales promotion is a very economical mode of communication.
Reason (R) Because of its wide reach, the overall cost gets spread over numerous communication links established, hence per unit cost of reach comes low. [1]
- Alternatives**
 (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
 (b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)
 (c) Assertion (A) is true, but Reason (R) is false
 (d) Assertion (A) is false, but Reason (R) is true
- Ans.** (i) (b) Different elements of business environment are closely inter-related. A change in one causes a change in another.
 (ii) (d) This is what I want, won't you please make it.
 (iii) (c) CII
 (iv) (b) Network of personal and social relationships that arise as a result of frequent interaction and communication among employees
 (v) (a) Advertising, personal selling
 (vi) (d) Management creates dynamic organisation
 (vii) (a) True
 (b) False. It refers to the external environment trends.
 (c) True
 (d) False. Personal selling refers to face-to-face communication between a seller and the buyer.
 (viii) Coordination
 (ix) Budget
 (x) Prashant Sharma can use newspaper, television, radio, etc. to advertise or make the products known to target population.
 (xi) The right of the consumer violated in the case is "right to be informed".
 (xii) Controlling is highlighted in the given statement.
 (xiii) (d) Advertising is very economical mode of communication.

■ Section B

[32 Marks]

2. "Advertisements stimulate competition in the market." Do you agree with this statement? Give reasons in support of your answer. [4]

Or "Product is a bundle of utilities." Defend or refute the statement with valid explanation.

Ans. Yes, advertising stimulates competition in the market place.

It helps the companies to show its worth and quality of products in front of the prospective buyers in following ways

- (i) It informs potential customers about a product and assures them about its quality and features.
- (ii) It is the most attractive and forceful promotional tool.
- (iii) It is an economical mode of communication, by which companies reach the masses.
- (iv) It covers large area.

Or Yes, I agree with this statement. It can be explained with the help of a following example
On wearing a shirt, we get the following satisfactions

- (i) **Functional Satisfaction** To wear the shirt and cover the body with it.
- (ii) **Psychological Satisfaction** To feel more confident and active, after wearing the shirt.
- (iii) **Social Satisfaction** Getting recognition after wearing shirt from a group of known people.

3. Which type of capital is required to be invested in fixed assets? Explain and enumerate any three factors that affect its requirements. [4]

Ans. The amount of capital invested in fixed assets is called fixed capital. e.g. Plant and machinery, land and building, etc. Fixed capital requirement varies directly in proportion of amount of fixed assets used in the business.

Fixed capital is required for establishing the business, growing and expanding its market, diversifying and also for technology upgradation.

Three factors affecting fixed capital requirements are [1]

- (i) **Nature of Business** While deciding the fixed capital requirement of a business enterprise, its nature should be considered. e.g. Trading concern needs lower investment in fixed assets as compared with a manufacturing organisation since it does not require to purchase plant and machinery, etc.

- (ii) **Scale of Operations** A large organisation operating at a higher scale needs higher investment in fixed assets as compared to the small organisation.

- (iii) **Choice of Technique** A capital intensive organisation requires higher investment in plant and machinery. So, requirement of fixed capital would be higher. On the other hand, labour intensive organisation requires less investment in fixed assets. [3]

4. Neha runs a factory wherein she manufactures shoes. The business has been doing well and she intends to expand by diversifying into leather bags as well as western formal wear thereby making her company a complete provider of corporate wear.

Which type of structure would you recommend for her expanded organisation and why? [4]

Ans. Neha must adopt divisional structure for her organisation. [1]

It is suitable because of the following reasons

- (i) The organisation deals in more than one product.
- (ii) Growth prospects of the organisation are high.
- (iii) There is a scope of diversification into different products and expansion of different territories. [3]

5. Debentures can be categorised on various basis. Explain any four types of debentures in brief. [4]

Ans. There are different kinds of debentures. Some prominent ones are discussed below

- (i) **Mortgage/Secured Debentures** They create a charge on the assets of the company, by mortgaging the assets of the company for payment of interest and the principal amount.
- (ii) **Naked/Unsecured Debentures** They do not create any charge or security on the assets of the company.
- (iii) **Registered Debentures** They are duly recorded in the register of debentureholders maintained by the company. Interest is only paid to the registered debentureholders.
- (iv) **Bearer Debentures** They are transferred only through a regular instrument of transfer. In other words, they are the debentures transferable on mere delivery. These debentures are not recorded in the books of the company.

6. "Planning restricts creativity". Justify the statement. [4]

Ans. Planning is an activity which is done by the top management and rest of the members just implement these plans. Planning makes managers and workers to work on a pre-determined course of action. They are expected to follow the guidelines laid down in plans.

Everything is pre-determined and deviations from planned programmes are not liked.

This discourages creative thinking and initiatives on the part of people working at different levels of an organisation. Employees are also reluctant to deviate from plans due to fear of criticism.

Thus, detailed planning may create a rigid framework in the organisation and may discourage initiative and creativity.

7. IMPS is a real time electronic fund transfer method. State any four features of IMPS.[4]

Ans. Features of IMPS are as follows

- (i) It allows instant fund transfer.
- (ii) It is available 24 × 7 throughout the year even on bank holidays.
- (iii) Both the parties, the payer and the payee are notified instantly when the amount is debited from one account and credited to another account.
- (iv) It is carried out over encrypted servers, making the transfer of funds safe and secure.

8. Mr. Manohar is a supervisor at the manufacturing unit of an automobile company.

Most of his subordinates are not well educated. Manohar often finds that they are unable to understand his instructions.

- (i) Identify the barrier to communication in the given context. [1]
- (ii) Explain how this barrier occurs in communication. [2]
- (iii) Suggest a way to overcome this barrier. [1]

Ans. (i) The type of barrier discussed in the case is semantic barrier.
(ii) This barrier occurs in the process of encoding and decoding of message.

These barriers are the obstacles in communication that distort the meaning of a message being sent in some way other than how it was intended.

- (iii) To overcome this barrier, the message to be conveyed should be clear in all aspects.

9. Distinguish between decentralisation and delegation. [4]

Or Write a brief note on political environment.

Ans. Differences between decentralisation and delegation are

Basis	Decentralisation	Delegation
Meaning	Decentralisation of authority means systematic dispersal of authority in all departments and all levels of management.	Delegation of authority merely means the granting of authority to subordinates to operate within prescribed limits.
Scope	Decentralisation covers entire organisation. The authority is spread and entrusted to executives according to their level.	Delegation is restricted to certain executives and their subordinates.
Purpose	To increase the role of lower level managers.	To reduce the burden of managers.
Freedom of action	There is more freedom of action.	There is less freedom of action.

Or

Political environment is the outcome of a combination of various ideologies advocated by different political parties. Every political party has a different attitude towards business community. A change in power at the centre and the state affects the business community. For example, favourable government policy towards FDI has increased the number of MNCs operating in the country.

Components of political environment are as follows

- (i) Political stability
- (ii) Political ideology
- (iii) The constitution of the country
- (iv) Relations of the country with other countries

■ Section C

[32 Marks]

10. (i) "Management may indeed be a science but not the science that most managers think". In this light of this statement, explain how management is a science, though an inexact one? [5]
- (ii) "Barriers are the hurdles or bottleneck in the way of communication". In the light of this statement, explain any three barriers to communication. [3]

Ans. (i) Features of the management as a science are

- Existence of Systematical Body of Knowledge** Like science, management has its own theory and principles that have developed over a period of time. Thus, we can say, management has a systematised body of knowledge.
- Scientific Methods of Observation** Certain management principles are evolved from scientific methods of observation. The cause and effect relationship is the part of science but it is applicable in management also. Therefore, management principles are accurate and reliable.
- Universally Accepted Principles** Certain management principles are universally valid. The established principles of modern management have universal applicability. Principle of division of labour and specialisation, unity of command, etc. are accepted everywhere.

The principles of management have evolved over a period of time based on repeated experimentation and observation. But, they are not capable of being accurately predicted due to involvement of human behaviour. Thus, it is an inexact science.

(ii) Barriers are any types of hurdles or bottlenecks in the way of communication. The following are the different barriers to communication

- Semantic Barriers** These barriers are due to meaning of words, language, symbols, etc.
- Physical Barriers** These barriers are due to the distance between the sender and receiver.
- Organisational Barriers** Communication is hampered, if the policy of an organisation does not support free flow of communication. Communication gets delayed and distorted when there are several managerial levels.

11. (i) "Every organisation requires the best person out of a number of prospective candidates for a job". In the light of this statement, explain the selection process to be followed. [5]
- (ii) "Internal sources of recruitment are better than external sources of recruitment". In the light of this statement, state any three disadvantages of external sources of recruitment. [3]
- Or** (i) "Controlling is the process to check and ensure that performance of work is in accordance with plans". In the light of this statement, enumerate the steps involved in the process of controlling.
- (ii) "Planning and controlling both are forward-looking as well as backward-looking functions". Justify the statement with a valid explanation.

Ans. (i) The process of selection is as follows

- Preliminary Screening** The initial screening is done through a preliminary interview in order to eliminate the unsuitable candidates, by going through the information provided in their application forms.
- Application Blank** A blank application form is given to the candidate to fill all personnel and professional details. The application blank provides a detailed written record of the candidate.
- Selection Tests** Candidates are required to take tests which measure the individual's job related proficiency and skills. Various types of tests can be conducted such as aptitude test, personality test, interest test, intelligence test, etc.
- Employment Interview** It involves an oral face to face interaction with the candidate. It helps to check the details of application blank provided and also judge certain qualities like
 - Quickness of response
 - Personality
 - Suitability for the job
 - Help employers to give actual picture of job and the company
- Medical Examination** After the selection decision and before the job offer, the candidate is required to undergo a medical fitness test.

The job offer is given to the candidate, only when the examiner has declared him fit after the medical examination.

(f) **Reference and Background Checks**

Many employers request names, addresses and telephone numbers of references for the purpose of verifying information and gaining additional information about an applicant.

(ii) Disadvantages of external source of recruitment are as follows

(a) **Dissatisfaction Among Existing Staff**

Recruitment from external sources may create dissatisfaction among the existing staff as their chances of promotion are reduced.

(b) **Lengthy Process** Recruitment from external sources involves a lot of time and efforts of the manager.

(c) **Costly Process** Recruitment from external sources involves a lot of expenditure on advertising, selection and other processes.

Or (i) Steps involved in the process of controlling are

(a) **Establishment of Standards** The first step of the control process is to establish the standards with which the actual results are to be evaluated.

A standard is the criteria against which actual performance can be compared. Standards should be set precisely in quantitative terms and should be relevant and achievable in time.

(b) **Measurement of Performance** Once the standards of desired performance are fixed, the next step is to measure the actual performance quantitatively or qualitatively. Performance should be measured in same terms, in which standards have been established.

(c) **Comparison of Actual Performance with Standards** The actual performance is then compared with the standards. Such comparison will reveal the deviations from the standards.

(d) **Analysis of Deviations** Deviations which are beyond the acceptable range or limit are analysed to identify their causes. Deviations may arise due to several reasons such as unrealistic standards, inadequate resources, defective work process, organisational weaknesses and environmental factors. The deviations and their causes are reported to the appropriate authority for action.

(e) **Taking Corrective Action** The last step in the controlling process is taking corrective action. Such action will depend upon the exact cause of deviations.

Training of employees, assigning additional workers and machines, improving working conditions are some examples of corrective action.

In case managerial action cannot remove deviations, the performance standards may have to be revised.

(ii) Planning and controlling, both are forward looking as well as backward looking functions. This can be understood through the following points

(a) **Planning is a Forward-looking**

Function Planning involves setting objectives and deciding the future course of action to achieve them.

Thus, it is regarded as a forward-looking function.

(b) **Controlling is a Backward-looking**

Function Controlling involves a postmortem of the past activities of an enterprise and finding out deviations from the targeted standard. Thus, it is regarded as a backward-looking function.

(c) **Planning is a Backward-looking**

Function Planning is guided by past experiences and corrective actions taken in the controlling process.

Thus, it is regarded as a backward-looking function.

(d) **Controlling is a Forward-looking**

Function The process of control necessarily involves analysing deviations and taking corrective action, which aims to improve future performance and achievement of predetermined goals. Thus, it is regarded as a forward-looking function.

12. (i) “Financial planning is very essential to estimate the fund requirements of business and specifying the sources of funds”. In the light of this statement, explain the importance of financial planning. [5]

(ii) Inter Corporate Deposit (ICD) is the popular source of short-term finance as it is convenient to obtain and free from all legal formalities. In the light of this statement, give any three advantages of ICD. [3]

- Ans.** (i) The importance of financial planning can be viewed with the help of the following points
- Helps to Face the Eventualities** It forecasts the future business situations which helps in preparing alternative financial plans to face the eventual situations and problems of shortage of funds.
 - Helps in Avoiding Business Shocks and Surprises** Proper provision regarding shortage or surplus of funds is made by anticipating future receipts and payments. Hence, it helps in avoiding business shocks and surprises.
 - Helps in Coordination** It helps in coordinating various business activities, such as sales, purchase, production, finance, etc.
 - Helps in Avoiding Wastage of Finance** In the absence of financial planning, wastage of financial resources may take place. This arises due to the complex nature of business operation such as excessive over or under estimation of finance for a particular business operation. Such type of wastages can be avoided through financial planning.
 - Maximise Shareholders' Returns** Through financial planning, a finance manager develops a plan constituting proper balance between debt and equity. Thus, it leads to maximising return for the equity shareholders.
- (ii) Advantages of inter corporate deposits are
- It helps to solve the problem of short-term capital needs.
 - No legal formalities are involved in obtaining the funds.
 - They are preferred, as it is an easy source of finance for reputed companies.

13. Read the case given below and answer the questions that follow

'Vastra Ltd.' is engaged in the manufacturing of apparel. Over the years, it has become a popular brand due to its good product quality and exclusive designing.

The company plans to open its own retail showrooms in metropolitan cities in India.

In order to meet its financial needs, it has offered for subscription an IPO of ₹ 4 lakh equity shares in the price band of ₹ 430-445 each.

As per the guidelines of SEBI, the company has provided a complete disclosure of the relevant details in its prospectus.

- Identify and explain the right of the consumer being fulfilled by the directives of SEBI in the above mentioned case. [2]
- Name any two other consumer rights. [1]
- Briefly explain any two points highlighting the importance of consumer protection from the point of view of the businessmen. [3]
- Name any four methods of consumer protection. [2]

- Ans.** (i) The right to information is being fulfilled by the directives of SEBI in the mentioned case.
- According to the right to information, the consumer has the right to get complete information about the product that he/she may propose to buy including its contents, date of manufacture and expiry, maximum retail price, quantity, directions for use etc. Moreover, as per law, it is mandatory for the marketers to provide complete information about the product/service to buyers.
- (ii) Two other consumer rights are as follows
- Right to education
 - Right to be heard
- (iii) The importance of consumer protection from businessmen's point of view is outlined below
- Long-term Interest of Business** After the liberalisation and globalisation, the level of competition has increased so much that not only internal but the business has to face international competition.
- In the competition, the businessmen can win and capture a big share of profits in the market only when they can satisfy their customers by designing the products keeping in mind the requirements of customers.
- Businessman Uses Society's Resources** Businessmen use the resources of society. They earn profit by supplying goods and services to the members of society so it must do something for society. Businessmen are merely trustees of resources; they must use these resources for the benefits of consumers.
- (iv) Four methods of consumer protection are
- Government/Legislative measures
 - Business associations
 - Consumer awareness
 - Self-regulations