

## B. ANALYSIS OF PERFORMANCE

### PART I (30 Marks)

Answer *all* questions.

#### Question 1

[15×2]

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

- (i) Define a Public Limited Company.
- (ii) What is meant by *Discounting of a Bill*?
- (iii) Give *two* disadvantages of written communication.
- (iv) Define the term *market*.
- (v) Give the significance of *Association Clause* of the Memorandum of Association.
- (vi) Give *any two* factors that influence the price determination of a product.
- (vii) What is meant by *Cumulative Preference Shares*?
- (viii) Explain *Joint Venture* in relation to multinational corporations.
- (ix) State *any two* differences between *savings deposit* and *fixed deposit*.
- (x) Mention the steps involved in the *organising* function of management.
- (xi) State *any two* features of 'labelling' in relation to marketing.
- (xii) What is *Certificate of Commencement*?
- (xiii) What is Economic and Non-economic environment of business?
- (xiv) Expand the terms:
  - (a) AIDCAM
  - (b) EXIM Bank
- (xv) Explain *management* as a group.

### Comments of Examiners

- (i) Most of the candidates were able to answer the question correctly. A few candidates were confused between a 'Government company' and a 'private limited company' as also between 'private limited company' and 'public limited company'. Some candidates mentioned the merits of Public Ltd. Co. instead of its meaning. The concept of paid up capital was not understood by many candidates and a few mentioned minimum members instead of minimum capital.
- (ii) Some candidates mistook the credit instrument for bill of goods purchased. The concept of discounting bill before maturity was not mentioned in the answers of some candidates. Many candidates were not clear if the buyer or seller discounts the bill with the bank.
- (iii) Most of the candidates answered this question correctly. In some cases, candidates wrote advantages instead of disadvantages. A few candidates wrote the demerits of oral communication. In some cases, scope of 'written communication' was given instead of disadvantages.
- (iv) Almost all candidates were able to write this answer this part correctly. Some of the definitions were too brief and the meaning did not come across clearly. A few candidates wrote the meaning of 'marketing' instead of 'market'.
- (v) Some candidates mistook the 'Association Clause' to mean the 'Articles of Association'. Many candidates were confused between the various clauses of the Memorandum of Association and some explained the importance of M.O.A. The significance was not explained categorically. In some cases, instead of the declaration made by the subscribers, candidates stated it to be made by directors, shareholders, members, promoters, partners, etc. Very few candidates mentioned that the subscribers agree to take up qualification shares.
- (vi) Majority of the candidates were unable to attempt this question correctly and some of the factors mentioned had no connection to the topic in the question.
- (vii) While several candidates could answer the question satisfactorily, some mentioned the return on preference shares as interest. A few candidates were confused between the various types of preference shares and were not clear as to how and when the accumulated dividend is paid.

### Suggestions for teachers

- The difference between the types of companies must be clearly explained to students.
- The difference between authorised/nominal capitals paid up and subscribed capital must be explained with a numerical for better understanding.
- Emphasise upon the importance of the words, minimum, paid up and transferability in relation to share capital.
- Explain discounting of bill with an example. It is important for the student to know that discounting is done before maturity of the bill and its utility for the drawer of the bill must be stated.
- The modern meaning of 'market' must be explained clearly to the students and differentiated from 'marketing'.
- Encourage the correct usage of terms like partners, members, subscribers, investors, board of directors, etc. and their significance.
- Name and explain how the internal and external factors impact the price of a product and students must be taught to write the direct relation to the factor given. Real life examples with factors that brought about a price change can be given.
- The two aspects of cumulative preference shares; accumulation of dividend till paid and dividend is paid out of profits, must be clear to the students.
- The concept of ownership and borrowed capital must be brought out clearly in the class and the difference between dividend and interest must be revised periodically.

- (viii) Most of the candidates were able to state correctly the contract/partnership/agreement in the case of joint ventures, but missed out the part on sharing of ownership. At times, 'Joint Venture' was confused with 'franchising' and 'turnkey projects'. Some explained the meaning of MNCs.
- (ix) Majority of the candidates attempted this question correctly. A few confused 'fixed deposits' with 'recurring deposits' and 'savings deposits' with 'current account'. Some of the candidates mistook restriction on frequent withdrawals from saving account as 'no withdrawals allowed'. Another common misconception was that 'fixed deposits' do not require KYC (know your customer) norms.
- (x) Some candidates did not write the steps in order; in other cases, organising function was confused with directing, controlling or management functions. In a few cases, the meaning of organising was explained instead of the steps.
- (xi) Some candidates wrote the meaning of labelling instead of the features and some confused 'labelling' with 'packaging'.
- (xii) Some candidates were confused between the terms 'Certificate of Incorporation' and 'Certificate of Commencement'. Many merely stated that the statement was necessary for starting the business without any explanation of the certificate. The point that only a public company requires the certificate was not mentioned by some candidates and at times, candidates got confused with private limited companies.
- (xiii) Majority of the candidates were unable to answer this question correctly. Natural environment was explained by most candidates and a few mentioned economic activities or explained only economic environment.

- The point that a joint venture with regard to an MNC is always in the form of a company, must be explained.
- The functioning of each form of MNC should be explained clearly.
- The difference between a temporary partnership (non-corporate) in the form of a joint venture and a more permanent sharing of equity and risk between two corporates from different countries must be highlighted.
- The comparison between the four types of deposit accounts must be discussed simultaneously through different parameters in a tabular format. This will lead to a better understanding of the deposits.
- The individual features must be explained from the point of view of utility/usage /functions of the deposit accounts.
- Students must be taught the importance of steps in a process.
- Particular distinction must be made between the various stages of floatation of a company as per the Companies Act.
- Each of the steps in the organising process and the resultant effect must be brought out clearly in a chart or discussions. A school activity like dramatics or a debating event can be taken up as an example and the process explained.

- (xiv) Very few candidates were able to expand the term in entirety and failed to connect the acronym to personal selling. Majority of the candidates gave the wrong expansion. In some cases, a paragraph explaining EXIM bank was given instead of a mere expansion of the term.
- (xv) Some candidates were not clear as to the points to be covered in this question and question was answered only partially. The management concepts other than as a group activity were explained by some candidates.

- A product label can easily be organised to show to the students. The students can be asked to state the usefulness of the label, thereby deriving the features of the same.
- The students need to be familiarised with the dimensions of business environment. The forces /factors of each of the dimensions can be illustrated with examples. Students can be asked to state the factors they are familiar with and this could be linked to the business.
- Students can be asked to make a list of the common acronyms in the different units of the syllabus and taught with capital letter presentation. This will make it easy to remember and emphasize on learning the spellings.
- The members of the group that make up management must be explained along with the objective for which it is formed.

## MARKING SCHEME

### Question 1.

- (i)
- Has a minimum paid-up capital of five lakh rupees or such higher paid-up capital as may be prescribed.
  - Does not restrict the transfer of its shares;
  - Does not limit the number of members
  - Can invite the general public to subscribe to its shares and debentures.
  - Can invite or accept deposits from the public.
  - Is not a private company
  - Is a private company which is a subsidiary of a company which is not a private company.

*(any two)*

(ii) Discounting of bill is the purchase of bills of exchange at the face value less the interest at current rate till the due date. The owner of the bills can get cash immediately through his bank account and need not wait for payment until the bills fall due. On maturity date, the bank collects the payment of discounted bills from the drawee. In case the bill is dishonoured, the borrower who discounted the bill is liable to make payment to the bank

(iii) Disadvantages of written communication:

1. It is time consuming
2. It is more expensive/ costly/ not economical
3. It is difficult to maintain secrecy/ lack of secrecy
4. It is formal/ follows scalar chain
5. It is rigid and there is little scope for making alterations
6. It involves formalities and red tape/ delays
7. Different people may interpret it differently/ subject to interpretation
8. Clarifications if needed cannot be given immediately.
9. Response is not immediately available/ feedback.
10. It lacks personal touch. (any two)

(iv) The term market means the sum total of the environment in which resources, activities and attitude of buyers and sellers affect the demand for products and services. It is a mechanism through which products and services are exchanged, sold and transferred.

A market is a centre in which forces leading to exchanges of title to a particular product operate and towards which and from which the actual goods tend to travel.

A market means a body of persons who are in intimate business relations and carry on extensive transaction in any commodity

(v) The subscription or Association Clause in a memorandum of association contains the full names, occupations and addresses of subscribers to the Memorandum. The subscribers make a declaration under their signatures duly attested by witnesses that they desire to be formed into a company and agree to take qualification shares, if any. There must be at least seven signatories in case of a public company and at least two in case of a private company. The importance of this clause is that it reveals the persons who have promoted the company.

- (vi)
- Objective: price of a product depends upon the firm's objective. A firm may decide out of several objectives, e.g, profit maximisation, a specific level of profit, target level of sales, a particular share of the market, prevailing market price, etc. The price fixed for the product must be in line with the firm's pricing objective.
  - Cost: Essentially, retail price are cost of production and distribution plus the profit margins. No business can survive for long without covering its costs. In the long run price should cover the total cost per unit but in the short run price should cover variable cost.
  - Demand
  - Competition

- Quality and Service
- Buying Motives
- Promotional strategy
- Government control
- Risk – bad debts and seasonal fluctuation

*(any two self-explanatory statements)*

(vii) Cumulative preference share is a share which has a right to claim its fixed dividend of the current year out of the future profits, if company does not earn profits in the current year.

The dividend in their case will go on accumulating, unless paid. The accumulated arrears of dividend shall be paid before anything is paid out of the profits to the holders of any other class of shares.

Preference shares are always cumulative unless otherwise stated.

(viii) Joint Venture: Establishing or entering into a contract with a local firm for manufacturing or marketing some product or service. The MNC's and local company Share the ownership and control.

<b>Savings deposit</b>	<b>Fixed deposit</b>
To motivate savings habit	To earn interest
Pass book and cheque book issued.	Only fixed deposit receipt is given/ no pass book or cheque book
Withdrawals and deposits allowed	No further deposits, withdrawal on maturity
No loans against saving bank a/c	Loans can be given against F.D
Rate of interest is low	Rate of interest is high

*(any two)*

(x) Following are the steps of organising:

1. Identifying the activities required for achieving the objectives.
2. Classifying these activities into convenient group and assigning these groups of activities to appropriate persons.
3. Delegating authority and fixing responsibility for carrying out the assigned tasks.
4. Coordinating these authority responsibility relationships throughout the enterprise.

OR

Identifying

Classifying

Assigning

Delegation

- (xi)
1. Specifies the contents and other features of the product.
  2. Helps in grading and standardisation.
  3. Provides information required under law.
  4. Attracts the people to buy/ silent salesman.
  5. Defines the identity of the product.
  6. Is designing a label to be put on the package.
- (xii) A Certificate of Commencement of business is a certificate which authorises a public company to commence its business from the date stated. This Certificate is issued by the Registrar of Companies when the company fulfils the prescribed formalities and submits the following documents with the Registrar:
1. a copy of the prospectus or a statement in lieu of prospectus.
  2. a declaration that directors have taken up and paid for their qualification shares.
  3. a declaration that the shares payable in cash have been allotted equal to an amount, not less than the amount of minimum subscription.
  4. a declaration that the company has applied for and obtained permission for the shares to be dealt on a recognised stock exchange.
  5. Statutory declaration. OR
- This Certificate is a conclusive proof that the public company has complied with all the legal formalities and that it is legally entitled to commence business.
- (xiii) (The economic environment consists of the factors and forces concerning means of production and distribution of wealth.) (It includes all such forces of economic development which influence the product market scope of business.) Its main components are nature of economic system of the country. Organisation and development of capital market, economic policies, industrial development, etc.
- (The non-economic environment refers to social, political, legal and technological environment of business.) Social environment concerned with social values and attitudes, customs and traditions, legal environment consists of all the laws relating to business, political environment includes constitution of the country, foreign policy and political stability etc. and technological environment refers to the state of science and technology in the country.
- (xiv) (a) AIDCAM: Attention, Interest, Desire, Conviction, Action, More sales  
 (b) EXIM Bank: Export and Import Bank/ Export Import/ Export Import bank of India
- (xv) As a group management refers to all those persons who perform the task of managing an organisation. All the activities of managers from the chief executives to the first supervisors are collectively known as a management team. As a group, management is a rule making and rule enforcing body. Managers can be family managers, professional managers or civil servants, senior managers of companies, are very powerful and respected groups. Modern society, management constitutes a hierarchy of authority because managers at different levels possesses varying degree of authority. It has a network of superior subordinate relationships. Management refers to a group of people well versed in planning and takes on enterprise towards the attainment of definite objectives.

**PART II (70 Marks)**  
*Answer any seven questions.*

**Question 2**

- (a) Explain *any four* advantages that host countries derive from multinational corporations. [4]
- (b) Discuss *any six* privileges enjoyed by a Private Limited Company. [6]

Comments of Examiners

- (a) Many candidates were able to give the correct points but with inappropriate explanations. The headings were repeated in the sentences as explanations. Some candidates explained the superiorities of MNCs without linking them to the merits derived by the host nation and a few wrote the merits gained by MNCs.
- (b) Merits of private limited companies were stated instead of the privileges by some candidates and some made a comparative statement of the two. The concept of exemption from legal formalities and restrictions were not clear to many candidates.

Suggestions for teachers

- Students must be made to understand that the financial, marketing, managerial and technical superiorities translate into a host of advantages to the under developed and developing economies. And the benefits derived by both, host nations and MNCs must be clearly explained with examples to the students.
- It is important to make students understand the ambiguity between 'privileges' and 'merits' and give them sufficient practice in school assessments. The merits of private limited may be a result of such privileges, but all merits do not translate into privileges. The various exemptions enjoyed by private limited companies must be explained in detail.

**MARKING SCHEME**

**Question 2.**

- (a) 1. Foreign Capital: Developing countries require huge capital investment for rapid industrialisation. They suffer from shortage of capital due to low rate of savings. Multinationals have huge capital resources at their common. They provide direct foreign investment by selling up subsidiaries and joint venture in host countries.
2. Transfer of Technology: Developing countries lag behind in technology. These countries require modern technology to utilise their idle resources. Multinational corporations employ advanced technology and latest marketing techniques. Developing countries get modern technology from multinationals. Products manufactured with such technology can stand in the world market.



3. Economies of large scale production: MNCs produce and sell in bulk. World wide operations help to increase productivity and reduce per unit costs of production and selling. Sophisticated techniques and innovative marketing methods also help to lower production costs by bringing economies in the use of labour, materials, capital, etc.
4. Employment generation: MNCs create direct and indirect employment in production, marketing and service activities. The entry of MNCs help in increasing opportunities for gainful employment to people of the host country. As a result, investment and income levels increase.
5. Export promotion
6. Research and development
7. Expansion of market
8. Managerial revolution
9. Higher standard of living.
10. Fillip to domestic industries
11. Integration of national economies. *(any four)*

(b) Following are the privileges enjoyed by a private limited company:

1. Minimum number of members: a private ltd. company can be started by two persons as compared to a public Ltd. company which requires seven persons for the same purpose.
2. Requirement as to minimum capital: Unlike a public company, needs a minimum paid-up capital of rupees one lakh only.
3. Certificate of commencement of business: A private Ltd. company can commence business immediately after its incorporation. Unlike a public Ltd. company, it is not required to wait for the commencement of the business till the grant of the certificate of commencement of business.
4. No Prospectus: A private Ltd. Company is not required to issue or file prospectus or statement in lieu of prospectus with the Registrar.
5. No Statutory Meeting or Statutory Report: a private Ltd. company is neither required to hold statutory meeting nor is required to file copies of statutory report with the Registrar.
6. Quorum: To constitute quorum for the general meeting of a private company two members present are sufficient unless the Articles of the Company provides otherwise.
7. Exemptions as to directors.
8. Index of members.
9. Exemptions from various legal formalities with regard to the shares to be issued, allotment of shares, issues of right shares, disproportionate voting rights, etc.
10. Exempted from restrictions, concerning remuneration of managerial personnel, appointment of persons to office of profit, intercompany investment and publication of accounts.
11. Minimum number of directors: a private limited company can have only two directors whereas a public company must have at least three directors. *(any six)*

### Question 3

- (a) Why should businesses assume social responsibilities? Give *any four* reasons in support of your answer. [4]
- (b) Discuss *any six* responsibilities of a business concern towards the consumers. [6]

#### Comments of Examiners

- (a) A number of candidates were confused with the requirement of this question. Most of the candidates explained the various corporate social responsibilities assumed by businesses instead of the reason why businesses should assume social responsibilities.
- (b) Several candidates repeatedly explained customer satisfaction without stating other responsibilities. Some of the answers were rather vague and not related to the topic in hand. Instead of responsibilities of a business concern in general, duties of retailers and personal salesmen were explained with much duplication of points.

#### Suggestions for teachers

- The students must be made to understand the cause and effect relationship of assuming social responsibilities.
- The responsibilities of business and reasons must be explained separately with cases and illustrations and the differences highlighted. The interdependence of the various sections of society and the business may be brought out. It can also be explained from the point of view of the various stakeholders of the business.
- In addition to the above, the responsibilities from the various aspects of the product, price, quality and features must be discussed. Students must be given practice in writing self-explanatory sentences to explain a point.

#### **MARKING SCHEME**

##### **Question 3.**

- (a)
1. Self- interest – Businessmen can succeed better by fulfilling the demands and aspirations of society. People who have had a higher standard of living and have been exposed to an environment conducive to healthy growth make better employees and customers for business than those who are poor, ignorant and oppressed.
  2. Creation of society – Business is a creation of society and uses the resources of society. Businessmen should respond to the demands of the society and should utilize the social resources at their command for the benefit of the people.
  3. Social power – Businessmen have considerable social power, their decisions and actions affect the lives and fortunes of all of us. They collectively determine for the nation such important matters as amount of employment, rate of economic progress and distribution of income among various groups.

4. Public image – A business can improve its image in public by assuming social obligations. Good relations with workers, consumers and suppliers help in the success of business. Social obligations include the confidence and faith of people in a business enterprise.
5. Social awareness – Consumers and workers are well informed about their rights. Consumers expect better quality products at reasonable prices. Similarly, workers desire fair wages and other benefits. If business does not fulfil its obligations, there will be industrial unrest and conflict in society.
6. Free Enterprise- If businessmen do not accept and discharge their social obligations they will lose their freedom. For example, the government has passed the Consumer Protection Act to prevent businessmen from indulging in adulteration, black marketing and other anti-social practices. Thus, social responsibilities are essential for avoiding governmental action against business.
7. Law and Order – Business can survive and grow only when there is law and order in society. If business exploits the weaker sections of society for too long, these sections will take the law in their own hands. The resulting chaos will threaten the very survival of business.
8. Moral Justification –Business has money and talent with which it can assist the government in solving problems like unemployment, illiteracy, scarcity of foreign exchange etc.
9. Socio-cultural Norms –Businessmen who help in preserving and promoting the cultural heritage will naturally enjoy the patronage of the society and the government.

10. Professionalization

11. Trusteeship

*(any four )*

(b)

1. To provide the goods and services needed and desired by consumers.
2. To provide goods and services of better quality at reasonable prices.
3. To provide current information about goods and services.
4. To avoid malpractices such as adulteration, black marketing, misleading advertising, etc.
5. To redress the grievances of consumers effectively and promptly.
6. To comply with the laws aimed at protection of consumers.
7. To provide prompt and effective after sale services.
8. To ensure a fairly wide distribution of products during shortage.

*(any six)*

#### Question 4

- (a) Distinguish between *bonus shares* and *right shares*. [4]
- (b) Define *debentures*. Describe *any four* types of debentures. [6]

#### Comments of Examiners

- (a) Most of the candidates scored well in this question. In a few scripts, the basis of comparison between bonus shares and right shares was not the same in all the points. Some candidates interchanged the headings. Some candidates wrote the differences in paragraph form, without matching points of difference. Some candidates were unable to distinguish the meaning correctly and hence the successive points were also incorrect; a few candidates did not understand that bonus shares also increase the share capital of the company.
- (b) In some cases, features of debentures were given instead of the definition. In other cases, a debenture was explained in detail as loan without mentioning that it is issued by a company. Very few candidates were able to give a complete definition. In some cases, types of debentures were confused with types of preference shares. A few candidates were able to name the types but interchanged the explanation or gave incomplete explanations

#### Suggestions for teachers

- The students must be able to distinguish firstly between shares issued for cash and bonus shares. It is also important to distinguish when and why they are issued and the associated rights. The conditions for issue of right share to existing shareholders must be clear to the students.
- The meaning of the term fully paid up must be explained from the point of view of types of share capital. The teacher must insist that all differentiations are written in tabular form and stated under a common basis. When defining debenture the salient points need be explained clearly. The definition must cover the basic features of a debenture. The types of debentures must be explained clearly from various points of view like convertibility, registration, redemption and security issued for the debenture loan.

## MARKING SCHEME

### Question 4.

(a)	Basis	Right Shares	Bonus Shares
	1. Meaning	Whenever a company comes out with a further issue of shares which is after two years of formation or one year of first allotment, they must be offered to existing shareholders first. Such shares are called right shares.	When companies having large undistributed profits issue fully paid up shares to their existing shareholders, <u>free of charge</u> , in proportion to their existing shareholdings, they are known as bonus shares.
	2. Fully paid up	Right shares may be partly paid up	Bonus shares are always fully paid up.
	3. Cash	Right shares bring cash to the company's coffers.	Bonus shares do not bring any cash to the company's coffers.
	4. Separate bank account	Till the concerned stock exchange approves the allotment money allotment money must be kept in a separate bank account in a scheduled bank.	A separate bank account is not required for Bonus shares as no money is to be received by the company.
	5. Purpose of issue	Right issue is made for raising funds to meet the growth and diversified needs of the company.	Bonus issue is made to capitalise undistributed profits.
	6. Right of renunciation	Right to renounce all or part of shares of it.	No such facility is available.
	7. Guidelines	The Companies Act 1956, Section 81, regulated the issue of Right Shares.	There is no section of Companies Act to regulate issue of Bonus Shares.
	8. Minimum subscription	Rights issue must comply with minimum subscription requirement as prescribed.	Issue of bonus shares does not involve minimum subscription.

*(any four)*

(b) A debenture is an instrument issued under the common seal of the company, acknowledging its debts to the holder under the terms and conditions specified in the instrument.

Types of debentures:

1. Secured and unsecured Debentures: Secured debentures: In case of secured debentures the payment of interest and principle amount is secured by some charge on any part or the whole of the fixed or floating assets of the company. Unsecured debentures are not secured by any charge on any asset of the company.

2. Redeemable and unredeemable Debentures: Redeemable debentures are issued for a particular period, fixed or uncertain, and on the expiry of that period, the principal amount is returned to the debenture holders. In case of irredeemable debentures, the principle amount is not refunded at any time except, in the event of winding up of the company.
3. Registered and bearer Debentures: Registered debentures stand in the name of their holders, which are recorded in the books of the company. Interest is payable only to registered debentures holders. They are transferable only by a transfer deed. Bearer debentures are transferable by a mere delivery any possessing bearer or holder thereof is the owner and received interest through coupons. These debentures are not recorded in the books of the company.
4. Convertible and non-convertible debentures: Convertible debentures are those which have the option of getting a part or the full value of their investment converted into equity shares on a fixed date or after a certain period of time. They are issued to allow the debenture holders to participate in the future prosperity of the company. Non convertible debentures do not enjoy any such rights to get themselves converted into equity shares.

*(definition and any four points)*

### Question 5

Briefly discuss *any five* principles of management as formulated by Fayol.

**[10]**

#### Comments of Examiners

Most of the candidates scored well in this question except for a few who explained the Principles of Scientific Management and functions of management.

Some of the candidates were unable to explain the principles in detail and at times missed out on the positive impact of applying the principle or negative effect of not applying them.

In a few cases, the candidates were confused between the principles of Unity of Command and Unity of Direction and the explanation of both principles was interchanged.

The principle of Authority and Responsibility was understood to be provided to different personnel, by some candidates.

Scalar Chain with gang plank was explained, but without mentioning that it is a chain of command and communication.

The principle of Order was explained by a few candidates as discipline instead of material and social order.

The Equity principle was described as equality and equal pay for all employees.

#### Suggestions for teachers

- Each principle of Fayol needs to be explained from the management point of view. The importance of applying the principle and the effect of it must be explained clearly with examples from a business organisation.
- The teachers must give particular attention to these principles as they consist of commonly used words but have a deeper and significant meaning with reference to a business organisation.
- The students must be given practice in writing the various principles to include the meaning and impact and cautioned against just writing the meaning of the word.

## MARKING SCHEME

### Question 5.

1. Division of work -Dividing total task in to compact jobs and allocating to different persons. This leads to speed, accuracy and increase in output. It is applicable to all kinds of work, technical as well as managerial.
2. Authority and Responsibility - Authority and responsibility must go hand in hand. Authority without responsibility leads to irresponsible behaviour while responsibility without authority will make a person ineffective. Authority is right to get work done and responsibility is to do the job to the best of ones ability.
3. Discipline - implies obedience, respect of authority and observance of the established rules and regulation. It is essential for the smooth running of organisation. Good supervision at all level, clear and fair rules and built in system of penalties will to maintain discipline.
4. Unity of command - an employee should receive orders from one superior only and be accountable to him. Dual command will undermine authority, weaken discipline, divide loyalty and create confusion, delays, etc.
5. Unity of direction there should be one head and one plan for a group of activities having the same objective.
6. Subordination of individual interest to general interests - interests or goals of the organisation must prevail upon the personal interests of individuals. Constant supervision is necessary to prevent promotion of personal interests at the cost of the organisation.
7. Remuneration - must be fair, reasonable and satisfactory both to the employees and the employer. It must reward effort so as to motivate higher productivity.
8. Centralisation - everything that increases the importance of subordinates role is decentralisation and everything that reduces it is centralisation. Both are a matter of proportion and the right proportion should be decided.
9. Scalar chain - it is the chain of superiors ranging from the ultimate authority to the lowest rank. It is a chain of communication establishing by the chain of command. It should be followed diligently and in emergencies a gangplank can be used.
10. Order - is material and social order. It implies a proper place for everything and everything in its right place and a place for everyone and everyone in his appointed place. This is important for successful functioning.
11. Equity - management should treat the employees with justice and kindness. There should be equity of treatment in dealing with subordinates and no discrimination. Nepotism and favouritism affect the motivation and morale.
12. Stability of tenure - a reasonable security of service should be provided to all employees. This helps to develop loyalty and attachment of employees. Labour turnover, not needed, increases cost of selection and training and spoils the image of the firm.
13. Initiative - employees at all levels should be encouraged to think out and execute the assigned tasks in a better way. It is a source of strength of an organisation. They must be inspired to suggest improvements in the formulation and implementation of plans.

14. Spirit de corps- there must be team spirit and cooperation among the members of an organisation. Unity is strength and this lies in the cooperation and harmony in individual efforts. Group efforts are more than the aggregate of individual contribution on account of esprit de corps.

(Any five with explanation)

### Question 6

- (a) Discuss *any four* advantages of using e-mails as a device of business communication. [4]
- (b) Distinguish between *informal communication* and *formal communication*. [6]

### Comments of Examiners

- (a) The candidates gave the merits from their personal point of view instead of the business. In some cases, instead of explaining the advantage of the device, the candidates wrote on the results of using e-mail, for a business; like more profits, expansion, etc. Candidates explained about booking orders, following up debtors, after sales service without linking it to speed, flexibility, confidentiality, convenience etc. of e- mails.
- (b) The headings, 'formal communication' and 'informal communication' were interchanged in some cases. Points given by candidates were some from formal and some from informal communication. A few candidates were confused and wrote differences between written and oral communication. In several cases, synonyms were written as separate points.

### Suggestions for teachers

- The merits of e-mail are because of the features of speed, convenience, flexibility, etc. – this should be explained to students.
- Distinguish between the concepts by covering an exhaustive list of points so as to avoid repetition by students. It must be clarified that both formal and informal communication takes place between the same set of personnel in the organisation.
- While discussing this topic, students must be alerted to the similarities with written and oral communication.
- Instruct students to write differences preferably in a tabular form and if written in paragraphs, insist that points need to be matched.



## MARKING SCHEME

### Question 6.

(a) Advantages of E-mail in business communication:

1. It is the quickest means.
2. Does not disturb the receiver at the other end.
3. Flexible. Message can be altered.
4. Transmission of message over telephone is inconvenient. But E-mail is convenient because the message can be retrieved at any time.
5. Can be saved for future reference.
6. Can be confidential.
7. Can be sent to any corner of the world at a nominal cost/ economical.

*(any four with explanation)*

(b)	Basis	Formal Communication	Informal Communication
	1. Nature	Well planned, systematic and authorised	unplanned, erratic and unauthorised
	2. Flow	It flows through the chain of command	It flows through unofficial channels
	3. Basis	It is based on authority	It is based on social interaction of people.
	4. Flexibility	It is rigid	It is flexible
	5. Speed	Slow speed/time consuming	Fast/ less time consuming
	6. Responsibility	Easy to fix responsibility	Responsibility cannot be fixed.
	7. Method	Generally written	generally oral
	8. Path	Fixed, beginning and end are known.	Variable, beginning and end are known
	9. Contents	Work related information	Personal views and feelings
	10. Purpose served	Organisational needs	social needs
	11. Personal touch	Lacks personal touch	It has personal touch
	12. Prediction	Predictable and authentic	unpredictable
	13. Source	Can be traced	Difficult to trace source
	14. Accuracy	Often accurate	Often distorted

## Question 7

- (a) Describe *any four* objectives of advertisement. [4]
- (b) What is *marketing mix*? Explain the elements of marketing mix. [6]

### Comments of Examiners

- (a) Most of the candidates wrote correct answers except for a few candidates in whose answers the heading and the explanation of the objectives did not match. At times, the same explanation was given for more than one point and clear distinction of points was not made. In several cases, 'eliminating middlemen' and 'reducing costs' was confused with 'increasing sales' and 'reducing costs'. In some cases, social advantages of sustaining the press and employment provision were mentioned by candidates.
- (b) A few candidates were unable to name the four Ps of marketing; 'production' was mentioned instead of 'product'. Many candidates did not explain the meaning of marketing mix and only named the elements. A number of candidates named the 4 Ps but did not state the objectives; nor did they describe the elements of each 'P' in the mix. Only a handful of the candidates mentioned the Ps connected to services.

### Suggestions for teachers

- Students must be taught the difference between economic objectives and social objectives.
- The objectives of advertising must be discussed from the point of view of the seller.
- Tell students that when learning the 4 Ps, it is important to state how they are the total marketing program/ system of the organisation.
- The students must learn to explain the individual Ps through their various elements.

## MARKING SCHEME

### Question 7.

- (a) Objectives of Advertising:
- To create and maintain demand
  - To educate consumers
  - To introduce a new product
  - To reduce or eliminate middlemen
  - To face competition
  - To build goodwill and creating a brand image
  - To support salesman and reduce selling expense
  - To improve standard of living
  - Minimising seasonal fluctuation
  - Creating confidence among customers
  - To support dealers
  - To increase sales and reduce cost

*(any four with explanation)*

- (b) Marketing mix refers to the combination of four basic elements which constitute the core of a company's marketing system. These four elements are Product, Price, Place and Promotion. Marketing mix is a total marketing program of an enterprise. Marketing mix is a dynamic concept – it changes with the change in customer needs and profile. The basic purpose of marketing mix is to satisfy the needs and wants of customers in most effective manner.

*(naming of 4Ps, objective of mix)*

Elements of Marketing Mix:

- (i) Product Mix – Product range, Quality, Brand name, Packaging and labelling, after sales service, warranty against defective goods
- (ii) Price Mix – Price to be charged – Discounts and allowances – Terms of credit
- (iii) Place Mix – Channel of distribution, distribution policy, transportation, warehousing, inventory control
- (iv) Promotion Mix – Advertisement, Personal Selling, Sales Promotion, Publicity, Public relations
- (v) People
- (vi) Physical facilities
- (vii) Process Management

*(any four, minimum 2 elements of each 'P' to be mentioned)*

OR

Product Mix - represents the tangible and intangible elements offered to the customer in order to satisfy his need. Product refers to a combination of various features relating to the product or service to be offered for sale. It involves decision concerning the quality, size, range, package, brand name, label, warranty and services.

Price Mix - pricing is the process of translating the value of a product or service in terms of money. It is the fundamental to all marketing efforts. Price mix is not simply the determination of a base price but the terms and conditions of sale i.e. transportation cost, discount, credit allowances etc.

Place Mix - refers to distribution of products to make them available to customers for purchase and consumption. It involves two broad functions namely the choice of distribution channel and physical distribution consisting of transportation and storage or warehousing. Inventory control is another important component in the mix.

Promotion Mix - All the activities involved in informing and persuading the customers are collectively known as promotion mix. It involves information, persuasion and influence. It includes advertising, sales promotion, personal selling and publicity.

*(explain each 'P' with its accompanying elements if any)*

## Question 8

- (a) Explain *any four* advantages of borrowing funds from financial institutions. [4]
- (b) Explain *any six* advantages of investing in mutual funds. [6]

### Comments of Examiners

- (a) Some candidates explained loans in general or with reference to commercial banks with the points being repeated. Most candidates were unable to mention merits beyond borrowing funds and were not specific to the question.

Very few candidates were able to mention the specialised facilities available from financial institutions. In several cases, the explanation of points was very brief and was a mere repetition of the heading in a sentence.

Some of the candidates explained the rationale of financial institutions rather than borrowing from them.

- (b) The meaning of mutual fund investment was not clear to some of the candidates. They were unable to explain the merits in a satisfactory manner. Some mentioned the types of MFs. In some cases, it was treated as any other investment and returns from them were called by different names. Explanations were very sketchy at times.

### Suggestions for teachers

- The difference between specialized financial institutions and commercial banks, wholesale banking and retail banks must be explained clearly to students.
- Special functions like underwriting, merchant banking and non-financial assistance must be explained in detail.
- The students must be taught to link the advantages to the functions of mutual funds.
- The meaning of the terms liquidity, transparency, and flexibility must be clearly explained. The students must understand that mutual funds are not risk free; the risk is spread due to diversified investments.
- Teach students that tax relief does not mean from all taxes. It is available only on the dividend received from mutual funds and not all income; capital gains tax has to be paid.

## **MARKING SCHEME**

### **Question 8.**

Advantages of borrowing funds from financial institutions:

- Larger Funds: Financial institutions can provide huge funds for large scale and capital intensive industries. They provide finance to meet the growing needs of industry.
- Long term finance: Financial assistance is available for longer period. Business firms can obtain funds for modernisation, expansion and diversification plans.
- Easy repayment: Financial institutions allow the borrowing firms to make repayment in convenient instalments. In case of genuine difficulties, the repayment period can be extended and additional funds can be obtained.

- Economical: Deserving enterprises are provided funds at lower rate of interest. Special attention is paid to the needs of new entrepreneurs, women entrepreneurs, entrepreneurs from backward regions. Funds are made available at reasonable security.
- Development assistance
- Underwriting Facility
- Non-financial assistance
- Planned (five year plans) assistance.
- Merchant banking facilities
- Guarantees for loan raised by businesses from other sources including from markets.

*(any four with explanation)*

(b) Advantages of Mutual funds:

- Reduced risks: Mutual funds invest in cross section of industries and sectors. The investment risk is diversified because all stocks or debentures are not likely to decline at the same time.
- High liquidity: In open-ended schemes, an investor can get back his money within a few days at NAV related price from the mutual fund. Investment in closed ended schemes can be sold in the stock market at the prevailing market price.
- Professional Management: A mutual fund is managed by skilled professional who are backed by a well-equipped investment research team. Investors get the benefit of such expertise and research at no extra cost.
- High return: Mutual funds have the potential to provide a higher return than bank deposits. This is because of diversified portfolio of carefully selected securities.
- Operational flexibility: Mutual funds offer a wide choice to investors. They provide facilities like systematic investment plan, systematic withdrawal plan, retirement plan, etc, to suit the needs and convenience of investors.
- Tax relief: Income earned from mutual funds as dividend is tax free. Long term capital gains are taxable at a low rate.
- Low cost
- Transparency
- Convenience
- Capital formation.

*(any six with explanations)*

**Question 9**

- (a) What is the significance of *Articles of Association* for a Joint Stock Company? [4]  
Give *any three* contents of the Articles of Association.
- (b) Explain *any six* qualities of a good salesman. [6]

### Comments of Examiners

- (a) Many candidates stated the definition instead of the significance of AOA. Most of the candidates confused AOA with MOA. In some cases, the significance of the different clauses was explained in detail instead of the AOA.
- (b) Most of the candidates were able to attempt this question correctly. A few candidates mixed up the adjectives relating to the salesman, and the explanation for the heading remained incomplete. Some of the candidates did not understand the vocational qualifications of a salesman.

### Suggestions for teachers

- The major significance of AOA can be explained through the three 'R's. Rules, Rights, Relationship of management concerning the internal affairs of a company.
- The AOA defines the mode and manner in which business of the company is to be carried on - can be explained through examples from say financing of shares, debentures or even declaration of dividend, etc.
- The teachers must explain the qualities of a good salesman under various categories broadly and also the specific adjectives related to that quality. This will help the students avoid repeating them and give a clear understanding of the qualities required for a skilled salesman to increase sales.
- The meaning of vocational qualities must be clearly explained to include knowledge of company, product, customers, competitors and selling techniques.

### **MARKING SCHEME**

#### **Question 9.**

(a) Significance of Articles of Association:

- Articles of Association of a company contain the rules and regulations relating to the management of its internal affairs.
- Articles of Association define the rights, powers, and duties of management.
- Articles of Association define the mode and manner in which business of the company is to be carried on.
- Articles of Association contain the manner in which change in the internal regulations of the company may be made from time to time.

- Articles lay down the relation between the company and members and between members and members.

Three contents of Articles of Association:

- Adoption of preliminary contracts
- Number and value of shares
- Allotment of shares
- Calls on share
- Lien on shares
- Accounts and audit
- Seal of the company
- Procedures for winding up
- Dividend and Reserves
- Alteration of share capital
- Share certificates and share warrants
- Conversion of shares into stock
- Meeting and proceeding
- Voting rights, proxies and polls
- Appointment of directors
- Borrowing powers
- Dividends and reserves
- Accounts and audit
- Procedure for winding up
- Seal of the company

*(any three given in Table A of Schedule I of Companies Act out of xviii)*

(b) Qualities of a good salesman:

- Physically fit and mentally alert
- Cheerful disposition
- Aptitude
- Patience and Perseverance
- Tact and confidence
- Sincere and courteous
- Knowledgeable about product

- Knowledge about company
- Knowledge of selling techniques
- Knowledge of customers
- Knowledge of competitors

*Any six - heading and explanation (at least two adjectives)*

### Question 10

Write short notes on:

- (a) Audio-visual media of advertisement. [3]
- (b) Ploughing back of profits. [4]
- (c) Technological environment of a business concern. [3]

#### Comments of Examiners

- (a) Instead of a short note, some candidates explained in detail two or three of the audio visual media. A few candidates did not state the merits or demerits and merely listed the various media with a brief statement.
- (b) Most candidates were able to answer this question correctly. A few candidates spoke of profits being kept aside but did not state that they were reinvested in the business. Some candidates stated that the retained earnings were invested outside the business for better earnings. Some of the candidates stated the meaning but did not mention the merits and demerits.
- (c) Almost all candidates were able to explain the meaning of technological environment. Many candidates failed to give the impact of technological environment on the business or its factors or elements.

#### Suggestions for teachers

- The students must be given practise in writing short notes. Short notes must be precise and must include the meaning, features, merits, demerits, impact and examples.
- The students must be made to understand that ploughing back of profits has two aspects; retaining and reinvesting.
- Technological environment can be best explained through examples. The students can have a debate on the positive and negative impact of adopting technology.
- The factors that influence technological environment can be explained from the point of rules and regulations governing them.



## MARKING SCHEME

### Question 10.

(a) Audio- visual media of advertisement:

Audio-visual advertising refers to advertising through TV, films, radio, etc, which combine sound with sight.

It appeals to both ears and eyes; secondly the product can be demonstrated along with a running commentary on its special features and uses.

TV and films have become an important medium of advertising in recent years. They have a dramatic impact on the minds of viewers and product can be demonstrated and their uses can be explained. The message has a wide appeal and geographical selectivity is possible. But this media is a very costly medium and only well established firms can afford it. Television advertisements have a short life and back reference is not possible. Film advertising involves considerable waste as the message is usually ignored by people. It lacks flexibility and timeliness and its effectiveness cannot be measured.

*(Meaning, two merits, two demerits)*

(b) Ploughing back of profits:

Investment of retained earnings of a company for its development and growth is called ploughing back of profits. Retained earnings are a popular source of finance for modernisation and expansion programmes.

- It is the most convenient and no legal formalities are involved.
- The financial structure of the company remains fully flexible. No charge is created on the company's assets.
- Use of retained earnings does not dilute the ownership. It adds to the financial strength and credit worthiness of the company.
- It can be used for various needs like equalising dividend, to repay loans etc.
- Frequent capitalisation of profits may result in over capitalisation. Secondly, it may be used to manipulate share prices on the stock exchange.
- Heavy investment of earnings year after year may cause dissatisfaction among shareholders as they get low dividend and fourthly, it is an unstable source as profits may not remain the same in future.
- May lead to monopolies and concentration of wealth.
- May lead to unbalanced industrial growth.

*(Meaning, purpose, two merits, two demerits)*

(c) Technological environment of a business concern:

Technological environment refers to the state of science and technology. In the country and related aspects such as the rate of technological change, institutional arrangement for the development and application of new technology, manufacturing processes and equipment, etc. Technology means systematic application of scientific and other organised knowledge of

practical tasks.

Technological environment depends upon several factors such as spirit of invention and innovation among people, facilities for research and development, incentives and concessions for development and application of new technology, legal protection, etc.

Technological environment exercises a significant influence on industry and commerce, advertisement in technology help to improve productivity and quality. Technological progress increases competitiveness of industry by reducing costs. But advanced technology requires huge capital investment and skilled manpower. Rapid change in technology increase obsolescence of plant, machinery and skill. New technology often faces resistance due to change required in organisations, skills and human relations.

*(Meaning, two factors, two impacts)*

### **GENERAL COMMENTS:**

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

- Question 1 (v) Association Clause
- (vii) Cumulative Preference Shares
- (x) Organising process
- (xiii) Economic and Non-economic environment of business
- (xiv) AIDCAM
- (xv) Management as a group
- Question 3 Social Responsibilities of business
- Question 4 Bonus shares and Rights Issue
- Question 7 Marketing mix
- Question 8 (b) Mutual Funds
- Question 10 (c) Technological Environment

#### **Concepts between which candidates got confused:**

- Question 1 (i) Public Ltd. And Private Ltd. Companies
- (iii) Written and Oral communication
- (v) MOA & AOA
- (viii) Partnership and Joint Venture of MNCs.
- (ix) Savings and fixed deposit
- (xii) Certificate of Incorporation and Commencement

- Question 2 (b) Merits and privileges of Private Limited Companies  
Question 3 (a) Social Responsibilities  
Question 4 (b) Types of debentures and preference shares  
Question 8 (a) Borrowing from commercial banks and specialized financial institutions.  
Question 10 (a) Audio and video communication.

**(c) Suggestions for students:**

- Understand each and every commercial term in all Units.
- Make brief notes on the various Units with key words.
- To be regular and punctual and pay attention in the class.
- Revise all topics and do not resort to selective studies.
- Make collective notes from different text books.
- Complete the syllabus on time and provide enough time for revision.
- Improve general knowledge by reading financial pages of the newspapers and know the terms commonly used.
- Devote reading time to collecting your thoughts and choosing the questions to answer.
- Read the questions twice before you start answering them.
- Divide the time between Part I and Part II sensibly and stick to it.
- Give answers that are in line with the question.
- Except for mention and name questions, give and state questions must have self-explanatory sentences for answers.
- Avoid repetition of points in the answer.
- Give equal importance to both the headings and the explanations.
- Read your answers once you have finished the paper and correct the errors.