

# ISC Class XII 2024 Commerce Question Paper with Solution

Time Allowed :3 hours

Maximum Marks :80

Total Questions :13

## General Instructions

**Read the following instructions very carefully and strictly follow them:**

*Answer all questions in Section A, Section B and Section C.*

**Section A** consists of *objective / very short answer* questions.

**Section B** consists of *short answer* questions.

**Section C** consists of *long answer* questions.

*The intended marks for questions or parts of questions are given in brackets [ ].*

## 1 Section A

1.

(i) **Best Pest Control Services** has seventy-five technicians who are experts in pest control. The management decides to train these technicians again in order to keep pace with the growing technological changes and improve pest control techniques. What type of training should the management impart to these technicians? (a) Orientation Training

(b) Job Training

(c) Refresher Training

(d) Safety Training

**Correct Answer:** (c) Refresher Training

**Solution:** Refresher training is designed to update the skills and knowledge of existing employees, particularly in response to technological advancements or changes in the field. Since the pest control technicians are already experts, the training aims to refresh their existing expertise and introduce them to new techniques. Orientation training is for new

employees, job training focuses on specific job roles, and safety training deals with safety procedures, none of which are relevant in this scenario.

#### Quick Tip

Different training programs serve different purposes. Understanding the target audience and the objective is key to choosing the correct program.

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1.

**(ii) A Debenture issued by a company by creating a fixed or a floating charge on the company's assets is known as:**

- (a) Non-Convertible Debenture
- (b) Mortgage Debenture
- (c) Redeemable Debenture
- (d) Unsecured Debenture

**Correct Answer:** (b) Mortgage Debenture

**Solution:** A mortgage debenture is secured by a charge on the company's assets, providing security to the debenture holders in case of default. This charge can be fixed (on specific assets) or floating (on the company's assets in general). Non-convertible debentures cannot be converted into equity shares, redeemable debentures are repaid at maturity, and unsecured debentures have no asset backing, making them riskier.

#### Quick Tip

The type of debenture issued depends on the company's financial situation and its ability to offer security to potential investors.

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1.

**(iii) With reference to Credit Card, which one of the following statements is INCORRECT?**

- (a) The cardholder makes payments after using the card.
- (b) Some incentives/gifts are made available to the cardholders.

- (c) The cardholder has to deposit some money in advance with the issuer bank.
- (d) In certain cases, the cardholder has to pay an annual fee for the credit card.

**Correct Answer:** (c) The cardholder has to deposit some money in advance with the issuer bank.

**Solution:** Credit cards work on the principle of borrowing credit. The cardholder is not required to deposit money in advance. Instead, they use the credit card to make purchases and then repay the borrowed amount later, along with any applicable interest or fees.

#### Quick Tip

Credit cards provide short-term credit; they aren't prepaid instruments.

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1.

**(iv) A business firm should have extra funds to meet future emergencies. Identify the type of working capital indicated here.**

- (a) Special
- (b) Seasonal
- (c) Initial
- (d) Regular

**Correct Answer:** (d) Regular

**Solution:** Regular working capital is the minimum amount of liquid capital needed to keep a business running smoothly, covering day-to-day expenses and a buffer for unforeseen circumstances. This includes funds needed for maintaining inventory, paying wages and salaries, and covering overhead costs. Having extra funds within regular working capital allows for the handling of unexpected emergencies. Special working capital is for specific projects, seasonal is for fluctuating needs based on time of year, and initial is the capital required at the start of the business. In this case, the need is related to regular operations and risk mitigation. Thus, it's part of regular working capital.

### Quick Tip

Working capital is more than just day-to-day needs; prudent management includes a contingency for the unexpected.

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1.

**(v) Principles of Management are not as accurate as principles of Science because:**

- (a) they are absolute.
- (b) they deal with human behaviour which is unpredictable.
- (c) they are rigid.
- (d) they are not universally accepted.

**Correct Answer:** (b) they deal with human behaviour which is unpredictable.

**Solution:** Management principles are guidelines for decision-making and action in a business context. Unlike the principles of pure sciences (like physics or chemistry), which are based on observable, repeatable, and predictable phenomena, management principles deal with human behavior. Human behavior is complex, influenced by numerous factors (emotions, biases, cultural norms, individual differences), and is therefore inherently unpredictable. Options (a), (c), and (d) are incorrect. Management principles are not absolute or rigid; they are flexible and need to be adapted to specific situations. While there is broad acceptance of core management principles, the application and interpretation can vary.

### Quick Tip

Remember that management principles are flexible guidelines, not rigid rules, because they apply to human behavior.

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1.

**(vi) An awareness of business environment enables an enterprise to take advantage of early opportunities instead of losing them to competitors. Which benefit of understanding the business environment is highlighted in the above statement?**

- (a) Customer Focus

- (b) Early Warning Signal
- (c) First Mover Advantage
- (d) Public Image

**Correct Answer:** (c) First Mover Advantage

**Solution:** "First Mover Advantage" refers to the competitive benefit a company gains by being the first to enter a new market or offer a new product/service. By understanding the evolving business environment (e.g., changing consumer preferences, emerging technologies, new regulations), a company can identify and act upon opportunities before competitors. Customer focus is important, but the scenario highlights proactive opportunity identification. Early warning signals relate to identifying threats, not seizing opportunities. Public image is a consequence of various actions, not the primary benefit described.

#### Quick Tip

Scanning the business environment is not only about avoiding threats, but also about capitalizing on emerging opportunities.

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1.

**(vii) State whether the following are True or False**

- (a) Recession is an 'inherent constraint' in almost all manufacturing organisations.
- (b) As a function of marketing, Warehousing creates time utility.
- (c) Directing initiates action in an organisation.
- (d) Customer orientation is a modern approach to marketing.

**Correct Answer:** (a) False, (b) True, (c) True, (d) True

**Solution:** (a) **False.** Recession is an external constraint, part of the economic environment, not an inherent characteristic of manufacturing organizations themselves. Inherent constraints would relate to the production process, technology, or internal limitations.

(b) **True.** Warehousing stores goods until they are needed, making them available at the right time. This is the definition of time utility in marketing.

(c) **True.** Directing is the management function that involves instructing, guiding, motivating, and leading employees to achieve organizational goals. It's the function that puts

plans into action.

(d) **True.** Customer orientation, focusing on understanding and meeting customer needs, is a core concept of modern marketing philosophies, contrasting with earlier, production-focused approaches.

#### Quick Tip

(a) Distinguish between internal and external factors affecting a business. (b) Understand the different types of utility created by marketing functions. (c) Know the core functions of management and their roles. (d) Understand the evolution of marketing concepts.

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1.

(viii) **Assertion: Services cannot be standardised. Reason: Services are homogenous in nature.**

(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 but Reason is False.

(d) Assertion is False but Reason is true.

**Correct Answer:** (c) Assertion is true but Reason is False.

**Solution:** The **Assertion** is true: Services, unlike tangible goods, are highly variable and difficult to standardize. Each service experience is unique, influenced by the provider, the customer, the time, and the specific circumstances. The **Reason** is false: Services are heterogeneous, meaning they vary in quality and delivery. Homogeneous means uniform and identical, which is the opposite of what services are. Therefore the assertion is true, and reason is false.//

#### Quick Tip

Remember the key characteristics of services: Intangibility, Inseparability, Variability (Heterogeneity), and Perishability (often remembered by the acronym IHIP).

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1.

(ix) \_\_\_\_\_ organisations are formed spontaneously as a result of social interaction among employees in an organisation.

**Correct Answer:** Informal

**Solution:** **Informal** organizations emerge naturally within a formal organization due to social interactions, shared interests, and personal relationships among employees. They are not deliberately created by management and lack a formal structure, rules, or hierarchy. They can significantly impact communication, morale, and even productivity within the formal organization, either positively or negatively. Formal organizations, on the other hand are deliberately created by the management. //

**Quick Tip**

Recognize that both formal and informal structures exist within any organization, and each plays a distinct role.

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1.

(x) Management as a \_\_\_\_\_ refers to a systematised branch of knowledge and a separate field of study.

**Correct Answer:** discipline

**Solution:** Management as a **discipline** refers to the body of knowledge, principles, theories, and practices that are studied and applied in the field of management. It is a distinct area of academic study with its own research, concepts, and methodologies. Management as a function refers to its activities, and management as a group refers to the people in the organization.//

**Quick Tip**

Understand management in its multiple dimensions: as a process, a group of people, and a field of study.

1.

**(xi) Organisation and development of financial market has created a surge in primary and secondary capital market. Which dimension of Macro environment is referred to in this statement?**

**Correct Answer:** Economic Environment

**Solution:** The **economic environment** encompasses factors related to the financial system, economic policies, interest rates, inflation, and the overall health of the economy. The development of financial markets (like stock exchanges and bond markets) directly impacts the flow of capital and investment, which are key components of the economic environment. Primary markets deal with new securities issuance, while secondary markets involve trading existing securities. Political environment includes the government's policy and regulation, social environment deals with the cultural and social trends and technological environment refers to the technological advancements of the society.//

#### Quick Tip

Remember the components of the PESTLE analysis (Political, Economic, Social, Technological, Legal, Environmental) to categorize macro-environmental factors.

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1.

**(xii) Ms. Anamika visited a reputed dealer of electronic goods to buy a bluetooth headset. The salesman at the shop forced her to buy a particular brand of headset. Which consumer right of Anamika was violated?**

**Correct Answer:** Right to Choose

**Solution:** The **Right to Choose** is a fundamental consumer right that guarantees consumers the freedom to select from a variety of goods and services at competitive prices. By pressuring Ms. Anamika to buy a specific brand, the salesman infringed upon her right to make a free and informed choice based on her own preferences and needs. Other rights include the right to be informed, right to safety, right to seek redressal etc.//



### Quick Tip

Familiarize yourself with the key consumer rights protected by law, such as the right to safety, information, choice, and redressal.

1.

**(xiii) Which barrier to communication arises when the sender and receiver interpret a message differently?**

**Correct Answer:** Semantic Barrier

**Solution:** **Semantic barriers** to communication occur when the sender and receiver attach different meanings to the same words, symbols, or gestures. This can be due to differences in language, jargon, cultural background, or individual interpretation. Other types of barriers include emotional barriers, psychological barriers and organisational barriers, which are not relevant in the given scenario.//

### Quick Tip

Effective communication requires clarity and shared understanding of the message's meaning. Always check for any semantic barriers to communication.

## 2 Section B

### Short Answer Type Questions

2.

**(i) Decentralisation of authority implies a systematic dispersal of authority at all levels of management for decision making. In the light of the above statement, explain any four merits of Decentralisation in an organisation. OR**

**Correct Answer:** (Refer to Answer Key for points, but a detailed explanation follows)

**Solution:** Decentralization is the process of dispersing decision-making authority

throughout an organization, pushing it down to lower levels of management. It contrasts with centralization, where decision-making power is concentrated at the top. Here are four merits of decentralization:

- **Develops Initiative Among Subordinates:** Decentralization empowers lower-level managers and employees by giving them the authority to make decisions. This fosters a sense of ownership, responsibility, and initiative. When individuals have the power to influence outcomes, they are more likely to be proactive, creative, and invested in their work.
- **Develops Managerial Talent for the Future:** By delegating authority, decentralization provides opportunities for lower-level managers to gain experience in decision-making, problem-solving, and leadership. This "on-the-job" training is invaluable for developing future leaders and ensuring a succession pipeline within the organization. It also improves their confidence.
- **Quick Decision Making:** When decision-making authority is dispersed, decisions can be made closer to the point of action. This reduces the need for lengthy communication and approval processes through multiple layers of management, resulting in faster and more responsive decision-making. This is especially important in dynamic and competitive environments.
- **Relieves Top Management of Excessive Workload:** Decentralization frees top management from the burden of day-to-day operational decisions. This allows them to focus on strategic planning, policy formulation, and overall organizational direction. It reduces their workload and prevents them from becoming bottlenecks in the decision-making process.
- **Facilitates Growth:** Decentralisation helps the organisation grow as it helps give autonomy to various departments, which can help them grow independently.
- **Better Control:** Decentralisation helps promote better control as the lower level management has better understanding and control of local situations.

### Quick Tip

Decentralization is not a one-size-fits-all solution. The degree of decentralization should be carefully considered based on the organization's size, structure, culture, and the nature of its business.

OR

2.

**(ii) Though Planning is an important function of management, it may not always give desired results. Justify this statement by explaining any *four* limitations of Planning.**

(Refer to answer key.)

**Correct Answer:** (Refer to Answer Key for points, but a detailed explanation follows)

**Solution:** While planning is essential for setting organizational goals and outlining the steps to achieve them, it's not a foolproof guarantee of success. Several limitations can hinder its effectiveness:

- **Planning Leads to Rigidity:** Once plans are formulated, there can be a tendency to adhere to them strictly, even if circumstances change. This rigidity can prevent the organization from adapting to unforeseen events, new opportunities, or emerging threats. Flexibility is crucial in dynamic environments.
- **Planning May Not Work in a Dynamic Environment:** The business environment is constantly evolving, with changes in technology, customer preferences, competition, and regulations. Plans based on assumptions that become outdated can quickly become irrelevant or even counterproductive.
- **Planning Reduces Creativity:** Over-reliance on pre-defined plans can stifle creativity and innovation. Employees may become overly focused on following procedures and less inclined to think outside the box or propose new ideas.
- **Planning Involves Huge Costs:** The planning process itself can be time-consuming and resource-intensive. It requires gathering information, analyzing data, developing

alternatives, and formulating detailed plans. This can involve significant costs in terms of time, money, and effort, and the benefits may not always outweigh the costs.

- **Planning is Time-Consuming:** The planning function can be very time consuming, and sometime there may not be much time left for its implementation.
- **Planning Does not Guarantee Success:** A plan is only a roadmap, and does not guarantee success in itself. Other factors have to be taken into consideration as well.
- **False Sense of Security:** Planning can sometimes create a false sense of security. Managers and employees may sometimes become complacent, assuming that everything will happen according to the plan.

#### Quick Tip

Planning is a crucial process, but it's not a static document. Regular review, adaptation, and a willingness to deviate from the plan when necessary are critical for success.

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3.

**JSW Co. purchased goods on credit from SDW Co. and paid the amount after two months. Name the short term source of finance used by the buyer and state any *three* features of this source.**

**Correct Answer:** Trade Credit

**Solution:** The short-term source of finance used by JSW Co. is **Trade Credit**. Trade credit is a common form of short-term financing where a supplier allows a buyer to purchase goods or services on account, with payment due at a later date (in this case, two months). It's essentially an informal loan extended by the seller (SDW Co.) to the buyer (JSW Co.).

Here are three features of trade credit:

- **Readily Available and Informal:** Trade credit is often readily available, especially for businesses with established relationships with their suppliers. It doesn't typically involve complex paperwork or lengthy approval processes like formal loans. It's a spontaneous and informal source of financing.

- **Flexible and Convenient:** The terms of trade credit (e.g., credit period, payment schedule) can often be negotiated between the buyer and seller, providing flexibility. It's a convenient way to finance short-term needs without having to go through formal lending institutions.
- **Cost-Effective (Potentially):** Trade credit can be cost-effective, especially if the supplier offers a cash discount for early payment. However, if the buyer fails to take advantage of the cash discount and pays within the full credit period, there's an implicit cost (the lost discount). It may or may not involve interest, depending on the terms set up by the seller.
- **Helps Maintain Liquidity:** It helps the buyer maintain liquidity, as it is able to get raw materials without immediate payment, and use the funds for other short term purposes.

#### Quick Tip

Trade credit is a vital source of short-term financing for many businesses, but it's crucial to manage it effectively to avoid late payment penalties and maintain good supplier relationships. Always check for terms and conditions of credit.

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4.

**The capital structure of XYZ Ltd. is highly geared. Explain any *four* factors that were considered by its Finance Manager while formulating such a capital structure for the company.**

**Correct Answer:** (Refer to the Answer Key for specific points, but a detailed explanation is below.)

**Solution:** A "highly geared" capital structure means that the company has a high proportion of debt relative to equity in its financing mix. The Finance Manager would have considered several factors before deciding on this structure:

- **Cost of Debt vs. Cost of Equity:** Debt is generally cheaper than equity because interest payments on debt are tax-deductible, reducing the overall cost of capital. A highly geared structure suggests the company is aiming to minimize its weighted average cost

of capital (WACC) by utilizing more of the cheaper debt financing. However, excessive debt increases financial risk.

- **Risk Appetite and Financial Risk:** A highly geared structure increases the company's financial risk. The company has a higher obligation to make fixed interest payments, regardless of its profitability. The Finance Manager would have assessed the company's ability to generate sufficient cash flow to meet these obligations, even during economic downturns or periods of lower profitability. A high-risk appetite and confidence in future earnings would be necessary.
- **Control and Ownership Dilution:** Raising equity can dilute the ownership stake of existing shareholders. By opting for more debt, the company avoids issuing new shares and maintains greater control for the current owners. The Finance Manager may have prioritized maintaining control over diluting ownership.
- **Tax Benefits:** As mentioned earlier, interest payments on debt are tax-deductible, creating a "tax shield" that reduces the company's overall tax liability. This is a major advantage of debt financing and a key reason for a highly geared structure. The Finance Manager would have calculated the potential tax savings.
- **Cash Flow Position:** The company's ability to generate consistent and sufficient cash flow to service its debt obligations (interest and principal repayments) is a primary factor in the decision. The finance manager would have assessed the cash flows.
- **Flexibility:** It deals with the company's ability to raise funds whenever required. The company should not over depend on debt.
- **Regulatory Framework:** SEBI and other company laws put limitations on the debt that can be issued by a company, which have to be kept in mind while deciding on the capital structure.
- **Stock Market Conditions:** Stock market conditions also help decide on the capital structure of a company. During boom periods, it is easier to raise equity than debt.

### Quick Tip

A highly geared capital structure can be beneficial in terms of lower cost of capital, but it significantly increases financial risk. The optimal capital structure is a balance between risk and return.

5.

**From the statements given below, identify and briefly explain each principle of management by Henri Fayol.**

- (i) A place for everything and everything in its place
- (ii) Absence of nepotism and favouritism

**Correct Answer:** (i) Order (ii) Equity

**Solution:**

(i) **A place for everything and everything in its place** - This statement refers to Fayol's principle of **Order**.

Order, in Fayol's principles, has two aspects: *material order* and *social order*. Material order means having a designated place for all physical resources (tools, materials, equipment) and ensuring those resources are in their designated place when needed. This promotes efficiency, reduces wasted time searching for things, and minimizes accidents. Social order means having the right person in the right job, with clear roles and responsibilities. It's about organizational structure and placement of personnel.

(ii) **Absence of nepotism and favouritism** - This refers to Fayol's principle of Equity.

Equity, in this context, means fairness and justice in the treatment of employees. Managers should be impartial and avoid showing favoritism or bias based on personal relationships (nepotism) or other irrelevant factors. Fair treatment builds trust, loyalty, and a positive work environment. It emphasizes consistent application of rules and equal opportunities for all employees. It does not mean there should not be any hierarchy. It simply means managers should be kind and just to their subordinates.

### Quick Tip

Fayol's 14 principles of management provide a foundational framework for effective organizational management. Understanding these principles, and how they relate to practical situations, is crucial.

6.

**Ms. Jasdeep, the Production Manager in a reputed manufacturing company believes in planning to achieve the desired goals while Mr. Philips, the Sales Manager in the same company thinks that controlling is the best way to achieve the desired results. Briefly explain the relationship between the two functions of management highlighted above.**

**Solution:** Planning and controlling are two inseparable and interdependent functions of management. They are often described as the "two sides of the same coin."

- **Planning Sets the Stage for Controlling:** Planning involves setting organizational goals and objectives, and determining the strategies, policies, procedures, and programs to achieve them. It establishes the standards against which performance will be measured. Without planning, there are no pre-determined goals, and thus, controlling has no basis.
- **Controlling Provides Feedback for Planning:** Controlling involves monitoring actual performance, comparing it against the planned standards, identifying deviations, and taking corrective action. The information gathered during the controlling process provides valuable feedback for future planning. It helps identify areas where plans were unrealistic, where assumptions were incorrect, or where adjustments are needed. Controlling helps improve planning.
- **Interdependence and Continuous Cycle:** Planning and controlling work in a continuous cycle. Planning initiates the process, controlling monitors progress, and the feedback from controlling informs the next round of planning. They are not sequential, isolated functions but are intertwined and mutually supportive. Ms. Jasdeep's emphasis on planning is essential for setting the direction, while Mr. Philips's focus on



controlling is vital for ensuring that the company stays on track and makes necessary adjustments. Both are necessary.

#### Quick Tip

Think of planning as setting the destination and route, and controlling as monitoring the journey and making course corrections along the way. Both are necessary to achieve success.

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7.

**Differentiate between Recruitment and Selection by giving any *four* points.**

**Solution:** Recruitment and selection are two distinct, yet sequential, stages in the staffing process. Here are four key differences:

- **Objective: Recruitment** aims to attract a large pool of potential candidates for a job vacancy. It's about generating applications. **Selection**, on the other hand, aims to choose the most suitable candidate from that pool, based on their qualifications, skills, and fit for the role and the organization.
- **Process: Recruitment** is a positive process, encouraging as many people as possible to apply. It involves activities like advertising the job, sourcing candidates through various channels (online portals, recruitment agencies, employee referrals), and creating a positive employer brand. **Selection** is a negative or eliminating process, where unsuitable candidates are screened out through various stages (application screening, tests, interviews, background checks) to narrow down the pool to the best fit.
- **Techniques: Recruitment** techniques focus on outreach and communication: job postings, social media campaigns, career fairs, etc. **Selection** techniques focus on assessment and evaluation: aptitude tests, personality assessments, interviews, assessment centers, reference checks, etc.
- **Outcome:** The outcome of **recruitment** is a large pool of applicants. The outcome of **selection** is the appointment of a chosen candidate to the job. Recruitment creates choices; selection makes a choice.

- **Complexity:** The recruitment process is less complicated than the selection process.

#### Quick Tip

Think of recruitment as "casting a wide net" and selection as "choosing the best fish." Both are crucial for building a strong workforce.

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8.

(i) **What is marketing research? State any *two* features of Marketing Research.**

**Solution: Marketing research** is the systematic process of gathering, analyzing, and interpreting information about a market, customers, competitors, and the marketing environment. It's a crucial function that helps businesses make informed decisions about product development, pricing, promotion, distribution, and overall marketing strategy. It reduces uncertainty and risk in decision-making.

Here are two key features of marketing research:

- **Systematic and Objective:** Marketing research follows a structured and systematic process, involving defined steps like problem definition, research design, data collection, data analysis, and reporting. It strives to be objective and unbiased, minimizing the influence of personal opinions or preconceived notions. It is based on scientific methodology.
- **Wide Scope and Continuous Process:** Marketing research is not a one-time activity but an ongoing process. Businesses need to continuously monitor their markets and adapt to changing conditions. The scope is broad and can cover any aspect related to marketing.

#### Quick Tip

Think of marketing research as the "eyes and ears" of a business, providing valuable insights to guide marketing decisions. It helps move from "gut feeling" to data-driven decisions.

OR

8.

(ii) What is branding? State any *two* merits of Branding.

**Solution: Branding** is the process of creating a unique name, symbol, design, term, or a combination of these, to identify a product or service and differentiate it from competitors. It's about building a distinct identity and reputation in the minds of consumers. It's more than just a logo; it's the overall perception and emotional connection that customers have with a company and its offerings.

Here are two merits of branding:

- **Product Differentiation and Identification:** A strong brand helps a product stand out from the competition. It creates a unique identity that makes it easily recognizable and distinguishable. This is especially important in crowded markets where many similar products exist. Customers can quickly identify the brand they prefer.
- **Builds Customer Loyalty and Trust:** A well-established brand fosters trust and loyalty among customers. When customers have positive experiences with a brand, they are more likely to repeat purchases and recommend it to others. This brand loyalty provides a stable customer base and reduces marketing costs over time. It also allows the firm to charge higher prices for its products.
- **Ease of launching new products:** If the brand has good goodwill in the market, then it makes it easier to launch a new product in the market.

#### Quick Tip

Branding is a long-term investment that builds brand equity, which is the value and recognition associated with the brand name.

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9.

**Mr. Deepak purchased a washing machine from a renowned E-Commerce platform for Rs 25000. He ensured that he received a cash memo. Unfortunately, his clothes got damaged in the first wash due to a manufacturing defect in the machine's rotator.**

- (i) Mr. Deepak can be called a responsible consumer. Give *one* reason to support this statement.
- (ii) Which provision under Consumer Protection Act, 2019 enables Mr. Deepak to claim a compensation for the manufacturing defect in the washing machine?
- (iii) Mention *any two* points of mandatory information which E-Commerce platform must provide to a consumer.

**Solution:**

- (i) Mr. Deepak can be considered a responsible consumer because he **ensured that he received a cash memo**. A cash memo serves as proof of purchase, which is essential for claiming warranty, making complaints, or seeking redressal in case of defects or deficiencies in the product or service. Responsible consumers are proactive in protecting their rights and obtaining necessary documentation.
- (ii) The provision under the Consumer Protection Act, 2019 that enables Mr. Deepak to claim compensation is the **right to seek redressal against unfair trade practices or restrictive trade practices or unscrupulous exploitation of consumers**. The Act also provides for product liability, meaning the manufacturer, seller, or service provider is responsible for any harm caused to a consumer due to a defective product or deficient service. This includes manufacturing defects. The act provides for setting up of consumer dispute redressal agencies for such cases.
- (iii) E-Commerce platforms have to provide a variety of mandatory information to the consumers. Two points that can be stated are.

- **Return, Refund, Exchange, Warranty and Guarantee policies:** The Consumer Protection (E-Commerce) Rules, 2020, clearly mandate that all mandatory information must be disclosed to consumers upfront. This includes all the information regarding the rules and guidelines related to return, refund, exchange policies that the e-commerce platform has in place. This allows them to make informed choices.
- **Total Price with Breakup:** The e-commerce platforms need to provide the total price, with breakup of different charges like delivery charges, taxes etc. It is mandatory for them to disclose this information.

- **Country of origin:** The platforms also have to provide details about the country of origin, which helps the consumer make an informed choice.
- **Seller details:** The platforms also must provide full details about the seller, including the legal name, geographic address, contact information etc.
- **Grievance Redressal Mechanism:** Details about how the consumer can make complaints.

#### Quick Tip

Always insist on a bill/cash memo when making purchases. It's your primary proof of purchase and crucial for exercising your consumer rights. Be aware of your rights as a consumer, and what is mandated by law.

### 3 Section C

#### Long Answer Type Questions

10.

(i) **Explain any *five* external factors of Micro environment that influence a business organisation.**

**Solution:** The microenvironment consists of factors that are close to a company and directly affect its ability to serve its customers. Unlike the macro-environment (PESTLE), a company has some degree of influence over its microenvironment, though not complete control. Here are five external factors:

- **Customers:** Customers are the most important part of the microenvironment. Understanding their needs, preferences, buying behavior, and satisfaction levels is paramount. Businesses need to segment their customers, target specific groups, and build relationships to retain them. Changes in customer demographics, tastes, or purchasing power directly impact a business.
- **Competitors:** Analyzing competitors' strengths, weaknesses, strategies, and market

share is crucial. Businesses need to differentiate themselves from competitors, offer superior value, and anticipate competitive moves. The intensity of competition in an industry significantly affects a company's profitability and growth potential.

- **Suppliers:** Suppliers provide the raw materials, components, and other resources that a business needs to operate. The bargaining power of suppliers, the availability of alternative suppliers, and the quality and cost of inputs all influence a company's cost structure and operational efficiency. Building strong supplier relationships is often vital.
- **Marketing Intermediaries:** These are the firms that help the company promote, sell, and distribute its goods to final buyers. They include wholesalers, retailers, distributors, marketing agencies, and financial institutions. The effectiveness of these intermediaries directly impacts a company's reach and sales performance.
- **Publics:** Any group that has an actual or potential interest in or impact on an organization's ability to achieve its objectives is considered a "public." This includes financial publics (banks, investors), media publics (newspapers, TV), government publics (regulatory agencies), citizen-action publics (consumer groups), local publics (neighborhood residents), general public (overall public opinion), and internal publics (employees). Managing relationships with these various publics is critical for maintaining a positive image and operating effectively.

#### Quick Tip

While businesses cannot control their microenvironment, they can influence it through their marketing efforts, relationship building, and strategic choices.

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10.

(ii) State any *three* components of Social environment.

**Solution:** The social environment encompasses the values, beliefs, attitudes, customs, traditions, and lifestyles of a society. It shapes consumer behavior, demand patterns, and the overall context in which businesses operate. Here are three key components:

- **Cultural Values and Beliefs:** These are the deeply held principles and standards that

guide people's behavior and decision-making. They influence attitudes towards work, consumption, family, education, and other aspects of life. For example, a society that values sustainability will have different consumption patterns than one that prioritizes convenience. Businesses must be sensitive to cultural nuances to succeed.

- **Demographic Trends:** These include factors such as population size, age distribution, gender ratio, income levels, education levels, and geographic distribution. Changes in demographics create both opportunities and challenges for businesses. For example, an aging population may create demand for healthcare services but reduce demand for youth-oriented products.
- **Social Trends and Lifestyles:** These are the prevailing attitudes, behaviors, and preferences that characterize a society at a particular point in time. They can relate to fashion, health, leisure activities, technology adoption, and social issues. Businesses need to stay abreast of social trends to adapt their products, services, and marketing messages accordingly. Examples include the growing emphasis on health and wellness, the rise of social media, and increasing environmental awareness.

#### Quick Tip

The social environment is dynamic and constantly evolving. Businesses must continuously monitor and adapt to social changes to remain relevant and competitive.

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11.

**(i) Ms. Rubina, a first-time investor, does not understand the difference between securities with voting rights and securities without voting rights. Give any five differences between the two types of securities to help her understand the difference.**

**Solution:** The key difference lies in ownership and control within a company. Here are five differences:

- **Voting Rights:** Securities *with* voting rights (typically common stock/ordinary shares) give the holder the right to vote on company matters, such as electing the board of directors, major mergers, or changes to the company's charter. Securities *without* voting

rights (e.g., preference shares, some classes of common stock, bonds, debentures) do not grant this right.

- **Ownership vs. Creditorship:** Holders of voting shares are owners (equity holders) of the company and share in its profits (through dividends) and potential growth. Holders of non-voting securities may be owners (like preference shareholders) or creditors (like bondholders). Creditors have a claim on the company's assets and receive fixed interest payments, but don't have ownership rights.
- **Risk and Return:** Securities with voting rights (common stock) generally carry higher risk but also the potential for higher returns (through capital appreciation and dividends). Securities without voting rights, especially debt instruments, tend to be less risky but offer lower potential returns (fixed interest or preferred dividends).
- **Dividend Payments:** Common shareholders (with voting rights) typically receive dividends after preference shareholders (who often lack voting rights) are paid. Dividend payments to common shareholders are not guaranteed and depend on the company's profitability. Preference shareholders often receive a fixed dividend rate.
- **Liquidation Priority:** In the event of company liquidation, creditors (bondholders) are paid before shareholders. Among shareholders, preference shareholders (often without voting rights) typically have priority over common shareholders (with voting rights) in receiving any remaining assets.
- **Influence on Company Decisions:** Because common shareholders elect the board, they have the power to influence company decisions. Preferred stockholders and debenture holders do not have this right.

#### Quick Tip

Investing in securities with voting rights gives you a say in the company's direction, but it also comes with greater risk. Non-voting securities often offer more predictable returns but less control.



**(ii) Expand UPI and briefly discuss its meaning.**

**Correct Answer:** Unified Payments Interface

**Solution:** UPI stands for **Unified Payments Interface**. It is a real-time payment system developed by the National Payments Corporation of India (NPCI) that allows instant money transfers between bank accounts through a mobile platform. It's a single interface that works across multiple banks, eliminating the need to enter bank details (account number, IFSC code) for each transaction. Users create a virtual payment address (VPA) linked to their bank account, and transactions are authorized using a mobile PIN (MPIN). UPI has significantly simplified and streamlined digital payments in India.//

**Quick Tip**

UPI is a revolutionary payment system that has transformed digital transactions in India, making them faster, easier, and more accessible.

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**OR**

**11.**

**(i) Rajiv's daughter has secured a seat in a Law college. The college has asked for the payment of admission fee through the financial instrument payable on demand. Identify and explain the financial instrument indicated above. Can it be issued online? List any *two* of its features.**

**Correct Answer:** Demand Draft

**Solution:** The financial instrument is a **Demand Draft (DD)**. A demand draft is a prepaid negotiable instrument, wherein the drawee bank undertakes to make payment in full when the instrument is presented by the payee for payment. The bank issues a demand draft to a client (drawer), directing another bank (drawee) or one of its own branches to pay a certain sum to the specified party (payee).

Can it be issued online? Yes, many banks now offer the facility to issue demand drafts online through their internet banking portals.

**Two features of a Demand Draft:** 1. **Prepaid Instrument and Guaranteed Payment:**

Unlike a personal check, a DD is prepaid, meaning the funds are deducted from the issuer's account before the draft is issued. This guarantees payment to the payee, as the bank has already secured the funds. It is a much safer method of payment. 2. **Payable on Demand:** The DD is payable "on demand," meaning the payee can present it to the drawee bank at any time for immediate encashment. There's no waiting period.

#### Quick Tip

Demand drafts are a secure and reliable method of payment, especially for large transactions or when dealing with unfamiliar parties.

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11.

**(ii) Write a short note on Sweat Equity Shares.**

**Solution: Sweat Equity Shares** are shares issued by a company to its employees or directors at a discount, or for consideration other than cash, in recognition of their valuable contributions, expertise, intellectual property rights, or "know-how." It's a way to reward and incentivize employees for their efforts in building the company. These shares are a way to compensate employees for their non-monetary contributions, aligning their interests with the company's long-term success. They are governed by the company laws of a country.//

#### Quick Tip

Sweat equity shares are a powerful tool for startups and companies that may not have large cash reserves to attract and retain talent.

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12.

**(i) Motivation is a psychological phenomenon which arises from human needs and wants. In the light of above statement, explain Maslow's theory on Motivation.**

**Correct Answer:** (Refer to Answer Key for hierarchy; detailed explanation below)

**Solution:** Maslow's Hierarchy of Needs is a motivational theory in psychology comprising a five-tier model of human needs, often depicted as hierarchical levels within a pyramid. The

theory posits that individuals are motivated to fulfill basic needs before moving on to more advanced needs. The hierarchy, from bottom (most basic) to top, is:

1. **Physiological Needs:** These are the most basic biological requirements for survival, such as air, water, food, shelter, sleep, clothing, and reproduction. Until these needs are met, they dominate an individual's motivation.
2. **Safety Needs:** Once physiological needs are reasonably satisfied, the need for security and safety becomes prominent. This includes personal security, financial security, health and well-being, and safety against accidents and illness.
3. **Love and Belonging Needs (Social Needs):** After physiological and safety needs are met, the desire for interpersonal relationships and a sense of belonging takes precedence. This includes friendships, intimacy, family, and a sense of connection with others.
4. **Esteem Needs:** These needs involve the desire for self-respect, achievement, competence, independence, recognition, and respect from others. Maslow classified esteem needs into two categories: (i) esteem for oneself (dignity, achievement, mastery, independence) and (ii) the desire for reputation or respect from others (e.g., status, prestige).
5. **Self-Actualization Needs:** This is the highest level of the hierarchy and represents the realization of a person's full potential, seeking personal growth, and peak experiences. It's about becoming the best version of oneself and achieving a sense of fulfillment.

Maslow's theory suggests that individuals are motivated to satisfy lower-level needs before higher-level needs become significant motivators. However, it's not a rigid, all-or-nothing progression. People can be motivated by multiple needs simultaneously, and the order of needs can sometimes vary based on individual circumstances and cultural factors.//

#### Quick Tip

Maslow's Hierarchy provides a useful framework for understanding human motivation, but remember that it's a general model and individual needs and motivations can be complex.

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12.

(ii) Explain method as a type of Plan.

**Solution:** A **method**, as a type of plan, provides a standardized way of performing a specific task or a step within a larger process. It's a prescribed manner or procedure for accomplishing a particular activity. Methods are typically detailed and specific, leaving little room for discretion in how the task is executed. They are designed to ensure consistency, efficiency, and quality in operations. They are usually designed for repetitive tasks. Methods help in training, quality control and improving efficiency.//

#### Quick Tip

Think of methods as the "recipes" for specific tasks within an organization, ensuring consistency and efficiency.

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**13.**

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

**Pooja has started a small company that manufactures steel and aluminium rods used by construction firms. She has made a large capital investment in this venture and also hired an excellent sales team. Their marketing approach is to contact the buyers directly and explain the features of their product. They have a complete control over the distribution of their products.**

- (i) Identify the type of product manufactured by Pooja's company.
- (ii) Briefly explain any *two* features of the product identified in subpart (i).
- (iii) State the channel of distribution used by the company in the above case.
- (iv) Identify and briefly discuss any *three* objectives of the element of Promotion Mix used by the Sales team in the above case.

**Solution:**

- (i) The type of product manufactured by Pooja's company is **industrial goods** (or business goods/ B2B goods). Industrial goods are products used in the production of other goods or for providing services, rather than being sold directly to consumers. Steel and aluminum rods used by construction firms fall into this category. Consumer goods, on the other hand, are purchased by the consumer for direct consumption.
- (ii) Two features of industrial goods:

- **Derived Demand:** The demand for industrial goods is derived from the demand for consumer goods. In this case, the demand for steel and aluminum rods depends on the demand for construction projects (houses, buildings, infrastructure).
- **Rational Buying Motives:** Industrial buyers are typically rational and make purchasing decisions based on factors like price, quality, technical specifications, reliability, and after-sales service. They are less influenced by emotional factors compared to consumer buyers.
- **Fewer Buyers:** The number of customers for industrial goods is lesser than that of consumer goods.
- **Short Channels of Distribution** Shorter channels of distribution are used for industrial goods.

(iii) The channel of distribution used by the company is a **direct channel** (or zero-level channel). The case states that "Their marketing approach is to contact the buyers directly..." This means there are no intermediaries (wholesalers, retailers, distributors) involved. The company sells its products directly to the construction firms.

(iv) The element of the Promotion Mix used by the sales team is **Personal Selling**. Personal selling involves direct, face-to-face communication between a salesperson and a potential customer. Three objectives of personal selling in this context would be:

- **Product Demonstration and Explanation:** The sales team's primary objective is to demonstrate the features and benefits of the steel and aluminum rods to the construction firms. This might involve explaining technical specifications, quality standards, and how the products meet the specific needs of the construction projects.
- **Building Relationships:** Personal selling allows the sales team to build relationships with key decision-makers in the construction firms. This involves understanding their requirements, addressing their concerns, and establishing trust. Strong relationships can lead to repeat business and long-term partnerships.
- **Closing Sales and Securing Orders:** Ultimately, the objective of any sales effort is to close sales and secure orders. The sales team uses their product knowledge,

communication skills, and relationship-building abilities to persuade the construction firms to purchase their steel and aluminum rods.

#### Quick Tip

Understanding the distinction between consumer goods and industrial goods is crucial for marketing strategy. The buying process, promotional methods, and distribution channels differ significantly.

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