



# KARNATAKA ICSE SCHOOLS ASSOCIATION

## ISC STD. XII Preparatory Examination 2024

**Subject – Commerce (Scheme of Evaluation)**

**Time Allowed: 3 Hours**

**Maximum Marks: 80**

**Date: 11.01.2024**

*(Candidates are allowed **additional 15 minutes** for **only** reading the paper.  
They must **NOT** start writing during this time.)*

*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 [ ]*

### SECTION A – 16 MARKS

#### Question 1

- (i) ITL Construction is facing a surge in project demands and urgently needs additional workers. To quickly fill casual vacancies, which source of recruitment can the company utilize? [1]
- (a) Internship Programs
- (b) Campus Placement
- (c) **Employee Referrals**
- (d) Employee Training Programs
- (ii) Ananya invested in preference shares of Global Energy Corp. and was delighted to find out that in profitable years, she receives an extra share in the profit beyond the fixed dividend. What type of preference shares does Ananya own? [1]
- (a) Redeemable preference shares
- (b) **Cumulative preference shares**
- (c) Participative preference shares
- (d) Non-participative preference shares

**This paper consists of 12 printed pages**

**Turn over**

- (iii) What is the primary purpose of fixed capital in a company? [1]
- (a) To cover day-to-day operational expenses
  - (b) **To finance long-term investments in assets**
  - (c) To manage short-term liabilities
  - (d) To pay off debts
- (iv) In recent years, what type of banking service has gained popularity due to its ability to provide financial services without traditional banking infrastructure? [1]
- (a) Cryptocurrency banking
  - (b) Centralized banking
  - (c) Branch-based banking
  - (d) **Mobile banking**
- (v) What does the term "esprit de corps" primarily refer to? [1]
- (a) Individual performance
  - (b) **Team spirit and camaraderie**
  - (c) Personal discipline
  - (d) Leadership skills
- (vi) Under which head of the SWOT analysis, will you classify a new competitor entering the market and intensifying competition for the company? [1]
- (a) Strength
  - (b) Weakness
  - (c) **Threat**
  - (d) Opportunity
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- (vii) State whether the following are True or False [4]
- (a) Inflation is considered a microeconomic factor that directly influences individual businesses. **False**
  - (b) According to the traditional concept of marketing, market share is the main goal of a business enterprise. **False**
  - (c) RTGS transactions can be performed multiple times on weekdays, and there is usually no restriction on the number of transactions. **True**
  - (d) Coding tests can be used to assess the programming skills of a software developer before hiring them. **True**
- (viii) The principles of management are **Universal** in nature because they can be applied to all kinds and size of organization. [1]
- (ix) **Bearer** debentures are transferable by mere delivery and the company does not keep any record of name and address of the debenture holder. [1]
- (x) What is meant by procedure? [1]  
 A procedure describes the exact manner in which a certain activity is to be performed.  
 For example, an airline adopts passenger safety as one of its objectives.
- (xi) Garv wants to buy a pressure cooker. How can he be sure about the quality of the pressure cooker? [1]  
 Look for relevant certifications (e.g., ISI)
- (xii) “Management is the art of getting things done through others.” Comment. [1]  
 According to BO Wheeler, “Business Management is a human activity which directs and controls the organization and operations of business enterprises. Management is centered in the administrators or managers of the firm who integrate men, material and money into an effective operating unit.”

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**Turn over**

(xiii) **Assertion:** Effective advertising campaigns play a crucial role in creating awareness and generating initial interest in a product. [1]

**Reason:** The quality of customer service, including responsiveness to queries and efficient issue resolution, enhances customer satisfaction and fosters brand loyalty.

- (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.

### SECTION B – 32 MARKS

**Question 2** [4]

(i) “Planning is beneficial to all”. In the context, explain the importance of Planning.

1. Focuses on objectives
2. Creates order
3. Reduces risk
4. Improves efficiency
5. Facilitates control
6. Increases coordination
7. Aids creativity and
8. Facilitates decision making

**(Explain any four points)**

**OR**

(ii) “Delegation provides the means whereby a manager multiplies himself.” Explain.

1. Relief to top executives
2. Scalar chain
3. Specialization
4. Quick decisions
5. Motivation of subordinates
6. Executive development
7. Growth and diversification

**(Explain any four points)**

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**Question 3****[4]**

Briefly explain the types of working capital required by a business concern.

1. Permanent working capital
  - i. Initial working capital
  - ii. Regular working capital
2. Temporary or variable working capital
  - i. Seasonal working capital
  - ii. Special working capital

( Explain )

**Question 4****[4]**

What are equity shares? Explain any three advantages of issuing equity shares from the point of view of a company.

Equity shares represent ownership in a company, providing shareholders voting rights, a residual claim on assets, and potential dividends. Shareholders bear the risks and enjoy the rewards associated with the company's performance. The market value of equity shares fluctuates based on supply and demand in the stock market.

Advantages of issuing equity shares from the point of view of a company.

1. No burden on earnings
2. Permanent capital
3. No charge on assets
4. Source of strength
5. Small nominal value

(Explain any three points) 1+3

**Question 5****[4]**

“Management is both Science and Art.” Comment.

**Management as a science:** Science is a systematized body of knowledge pertaining to a specific field of study and contains generalizations that explain a phenomenon. It establishes the cause and effect relationship between two or more factors and ascertains the underlying principles governing the relationship. These principles are developed through the scientific method and verification through testing. The principles are absolute truth having universal application. As such science is characterized by four feature:

1. Existence of systematized body of knowledge
2. Use of scientific methods of observation
3. Principles based on experiments
4. Universal validity of principles

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**Turn over**

Management has a systematized body of knowledge it makes use of observation and experience. Principles of Management are based on research and experience. These principles are applicable in most situations. Management can be called as science because it contains all the characteristics of science. However, management is a Social science it is comparatively a young and soft science because its principles are not hard and fast laws.

**Management as an art:** Art is the bringing about of desired results through the application of skills. It is concerned with the application of knowledge and skills.

Management is one of the most creative arts as it requires a vast knowledge and certain innovating, initiating, implementing, and integrating skills in relation to goals, resources, techniques and results. As an art, management calls for a corpus of abilities, intuition and judgement and a continuous practice of management theories and Principles.

Management is an art because

- i) The process of management does not involve the use of know-how and skill
- ii) The process of management is directed towards the accomplishment of concrete results
- iii) Like any other art management is creative in the sense that management creates new situations needed for further improvement
- iv) Management is personalized meaning thereby that there is no “best management”. Every man in the profession has his individual approach and technique for solving problems. The success of managerial tasks is related with the personality, character and knowledge of the people involved.

To conclude management is both science and an art

### **Question 6**

**[4]**

Discuss the Unity of Command and Unity of Direction principles as given by Henry Fayol.

#### **Unity of command:**

According to this principle an employee should receive orders from one superior only and be accountable to him. No person can serve several masters at the same time. If a subordinate has more than one boss dual command will undermine authority, weaken discipline, divide, loyalty and create confusion, delays etc. Principle of authority of command is very relevant in large and modern organization as it helps in smooth working of people.

Violating the principle of unity of command leads to the following adverse effects

1. Overlapping of orders and instructions
2. Confusion and indiscipline
3. Duplication of work
4. Divided loyalty and disobedience
5. Lack of responsibility
6. Disrespect for superiors

### Unity of Direction:

There should be one head and one plan for a group of activities having the same objective. In the other words, each group of activities with the same objective must have one plan of action and must be under the control of one superior. Without unity of direction, unity of action and coordination of efforts are not possible.

Unity of direction should be differentiated from unity of command. Unity of command relates to the functioning of people whereas unity of direction is concerned with the activities. Unity of direction does not automatically lead to unity of command though there cannot be unity of command without unity of direction. Unity of direction relates to the functioning of the whole organization.

### Question 7

Sunshine Ltd. Imported new machinery from Japan. However, the productivity of the business did not improve with the use of his machinery. On investigation, it was found that the workers were not able to operate the high-tech machinery effectively, causing poor performance and wastages.

- (i) What can be done by Sunshine Ltd. to overcome the above problem? [1]  
**Training Programs:** Implement comprehensive training programs to familiarize the workers with the new high-tech machinery. Training should cover not only the technical aspects of operating the machinery but also best practices, safety protocols, and troubleshooting techniques
- (ii) Highlight any three advantages of the identified solution. [3]  
a) Enhanced productivity  
b) Reduced wastages and errors  
c) Employee confidence and morale

### Question 8

Jayesh went to purchase a packet of chips. The shopkeeper handed him a packet which did not have the MRP, date of manufacture and date of expiry printed on it. Jayesh decided not to buy the packet.

- (i) Identify and explain the right of the consumer which has been violated in the above case.  
The right of the consumer that has been violated in this case is the "**Right to Information.**" Every consumer has the right to be informed about the product they are purchasing, including essential details such as Maximum Retail Price (MRP), date of manufacture, and date of expiry. [1]

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Turn over

(ii) Briefly explain any three points highlighting the need for consumer protection. [3]

1. Consumer is the purpose of business
2. Business is a means of human welfare
3. Multiple objectives
4. Growth with social justice
5. Stakeholder approach
6. Responsibility with power
7. Theory of trusteeship
8. Business ethics
9. Self interest

**(Explain any three points)**

**Question 9**

**[4]**

(i) What is Branding? Give any three advantages of branding to the marketers.

Branding is the process of assigning a distinctive name or symbol to a product by which it is to be known and remembered.

A brand is a name, term, sign, symbol or design or a combination thereof used to identify the goods or services of a seller and to differentiate them from those of competitors. Lux, Coca-Cola, Bata, Parker are examples of brands.

Advantages:

1. Product Differentiation
2. Facilitates advertising
3. Differential pricing
4. Lower selling costs
5. Ease in introduction of new product
6. Wider market

**(Explain any three points) 1+3**

**OR**

(ii) What do you mean by promotion mix? Explain any three of its elements.

Promotion mix refers to the combination of promotional methods or tools that a company uses to communicate and persuade the target audience about its products or services. It involves the strategic integration of various promotional elements to achieve specific marketing objectives and enhance the overall effectiveness of the promotional efforts.

Three elements of promotion mix are.

1. Advertising
2. Sales promotion
3. Personal selling
4. Publicity

**(Explain any three points) 1+3**



**SECTION C – 32 MARKS**

**Question 10**

(i) “In the present day competitive market, it is essential for a business to remain alert and aware of its environment.” Explain. [5]

1. First mover advantage
2. Early warning signal
3. Sensitize the management
4. Basis of strategy
5. Intellectual stimulant
6. Image building
7. Continuous learning

**(Explain any five points)**

(ii) Distinguish between Micro and Macro environment. [3]

Aspect	Micro Environment	Macro Environment
<b>Definition</b>	Factors that directly impact a business and are within its immediate control.	Factors that are external to the business and are beyond its immediate control.
<b>Components</b>	- Customers - Suppliers - Competitors - Intermediaries - Employees	- Economic Conditions - Political and Legal Factors - Social and Cultural Factors - Technological Factors - Environmental Factors - Global Factors
<b>Nature</b>	Specific and Controllable	Broad and Uncontrollable
<b>Influence</b>	Direct Impact	Indirect Influence
<b>Examples</b>	- Customer preferences affecting product design.	- Economic downturn impacting consumer spending.
<b>Scope</b>	Industry-specific	Societal, Economic, Political, and Global

**Question 11**

(i) You are finance manager of a newly established company. The director has asked you to determine the amount of fixed capital requirement for the company. Explain any five factors that you will consider while determining the fixed capital requirement for the company. [5]

1. Nature of business
2. Size of the business
3. Nature of products

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**Turn over**

4. Method of production
5. Diversity of product lines
6. Mode of acquiring fixed assets
7. Intangible assets

**(Explain any five points)**

- (ii) Write a short note on e-banking. [3]

E-banking, or electronic banking, revolutionizes the financial sector by leveraging digital technology. It provides customers with online and mobile platforms for banking services, including account management, fund transfers, and bill payments. E-banking offers convenience, cost efficiency, and global access, transforming traditional banking methods. With enhanced security measures, it is a pivotal aspect of modern finance, though challenges such as cybersecurity must be addressed. The continuous evolution of technology promises further innovations in e-banking, shaping the future of financial services.

**OR**

- (i) Explain steps in staffing process. [5]

1. Human resource planning
2. Recruitment
3. Selection
4. Placement
5. Orientation
6. Training and development

**(Explain any five points)**

- (ii) “Controlling is an indispensable function of management.” Do you agree? Give reasons in support of your answer. [3]

1. Achieves organizational goals
2. Ensures efficient use of resources
3. Improves employee motivation
4. Ensures order and discipline
5. Facilitates coordination
6. Judges accuracy of standards

**(Explain any three points)**

### Question 12

(i) State and explain any five principles of F W Taylor. [5]

1. Science not rule of thumb
2. Harmony not discard
3. Maximum not restricted output
4. Division of work and responsibility
5. Scientific selection training and development of workers
6. Standardization
7. Mental revolution

**(Explain any five points)**

(ii) “Management is all pervading.” Explain. [3]

Management is required in all types of organisations – business, family, club, school, temple, army, government, cricket team etc. Similarly, management is necessary in both small and large organisations. Management is found in all countries and all points of time. The basic functions of Management are performed at every level of authority top, middle and operating levels.

Therefore it is true to say management is all pervading.

### Question 13

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

Dunken Ltd. is a big and well-reputed company. The biggest challenge for the company is managing many employees at the same time. As the company has various departments like human resources, marketing, finance, etc., it is very necessary for the company to maintain unity in different departments. All the employees work hard for the organisation. Despite their different interest, they all perform various activities together so as to achieve the objectives of the company. The career of employees is shown a developmental path through proper training modules and job enrichment. Shankar is a manager who assigns all duties and responsibilities to his employees in the department. He uses all sources to develop proper communication with them and leaves no attempt to motivate them.

(i) “*The career of employees is shown a developmental path through proper training modules and job enrichment.*” In the light of this statement explain motivation. [2]

Motivation means a process of stimulating people to action to accomplish desired goals.

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**Turn over**

A well-defined career path and opportunities for skill development contribute to higher employee morale. When employees see a future for themselves within the organization, they are likely to be more motivated and committed

- (ii) Which function of management does Shankar perform in the company Dunken Ltd? [1]

**Directing** – Directing is the interpersonal aspect of managing by which subordinates are led to understand and contribute effectively and efficiently to the attainment of enterprise objectives.

- (iii) “As the company has various departments like human resource, marketing, finance, etc., it is necessary for the company to maintain unity in different departments.” Explain coordination as an essence of management. [3]

Coordination is not a separate function of Management. It is the very essence of Management because it is inherent in all managerial functions.

In planning coordination is essential to ensure harmony between organizational goals and departmental plans.

In organising coordination is required between authority and responsibility.

In staffing coordination is important for matching talent of employees with the jobs assigned to them.

In directing motivation and leadership ensure functional harmony.

In controlling coordination is achieved by ensuring that actual results confirm to the desired results.

Thus each function of Management is an exercise in coordination. The quality of coordination is the crucial factor in the survival of organization.

- (iv) “He uses all sources to develop proper communication with them and leaves no attempt to motivate them.” In the light of this statement explain any two objectives of communication. [2]

1. To elude educate and train people
2. To motivate employees
3. To promote managerial efficiency
4. To implement decisions quickly
5. To facilitate leadership
6. To carry out change
7. To create teamwork
8. To secure feedback

**(Explain any two points)**