

**YEAR 2020 EXAMINATION**

**ISC**

# Analysis of Pupil Performance

**COMMERCE**



**Research Development and Consultancy Division**  
**Council for the Indian School Certificate Examinations**  
**New Delhi**

**Year 2020**

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This document of the Analysis of Pupils' Performance at the ISC Year 12 and ICSE Year 10 Examination is one of its kind. It has grown and evolved over the years to provide feedback to schools in terms of the strengths and weaknesses of the candidates in handling the examinations.

We commend the work of Mrs. Shilpi Gupta (Deputy Head) and the Research Development and Consultancy Division (RDCD) of the Council who have painstakingly prepared this analysis. We are grateful to the examiners who have contributed through their comments on the performance of the candidates under examination as well as for their suggestions to teachers and students for the effective transaction of the syllabus.

We hope the schools will find this document useful. We invite comments from schools on its utility and quality.

**November 2020**

**Gerry Arathoon  
Chief Executive & Secretary**

The CISCE has been involved in the preparation of the ICSE and ISC Analysis of Pupil Performance documents since the year 1994. Over these years, these documents have facilitated the teaching-learning process by providing subject/ paper wise feedback to teachers regarding performance of students at the ICSE and ISC Examinations. With the aim of ensuring wider accessibility to all stakeholders, from the year 2014, the ICSE and the ISC documents have been made available on the CISCE website [www.cisce.org](http://www.cisce.org).

The documents for the ICSE and ISC Examination Year 2020 include a detailed qualitative analysis of the performance of students in different subjects. The purpose of this analysis is to provide insights into how candidates have performed in individual questions set in the question paper. This section is based on inputs provided by examiners from examination centers across the country. It comprises of question wise feedback on the performance of candidates in the form of *Comments of Examiners* on the common errors made by candidates along with *Suggestions for Teachers* to rectify/ reduce these errors. The *Marking Scheme* for each question has also been provided to help teachers understand the criteria used for marking. Topics in the question paper that were generally found to be difficult or confusing by candidates, have also been listed down, along with general suggestions for candidates on how to prepare for the examination/ perform better in the examination.

The Analysis of Pupil Performance document for ICSE for the Examination Year 2020 covers the following subjects/papers: English (English Language, Literature in English), History and Civics, Mathematics, Physics, Chemistry, Commercial Studies and Environmental Science.

Subjects covered in the ISC Analysis of Pupil Performance document for the Year 2020 include English (English Language and Literature in English), Hindi, Physics, Chemistry, Mathematics, Computer Science, History, Political Science, Economics, Commerce, Accounts, and Environmental Science.

I would like to acknowledge the contribution of all the ICSE and the ISC examiners who have been an integral part of this exercise, whose valuable inputs have helped put this document together.

I would also like to thank the RDCD team of Dr. M.K. Gandhi, Dr. Manika Sharma, Mrs. Roshni George and Ms. Mansi Guleria, who have done a commendable job in preparing this document.

We hope that this document will enable teachers to guide their students more effectively and comprehensively so that students prepare for the ICSE/ ISC Examinations, with a better understanding of what is required from them.

November 2020

*Shilpi Gupta*  
Deputy Head - RDCD

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# PART I (20 Marks)

*Answer all questions.*

## Question 1

[10x2]

Answer briefly each of the questions (i) to (x):

- (i) What is meant by *Micro-Environment*?
- (ii) State *any two* features of a Credit Card.
- (iii) What is *Net Working Capital*?
- (iv) Give *two* advantages of Trade Credit, as a source of short-term finance.
- (v) Define *Management* as an activity.
- (vi) Moon Ltd. imported new machinery from Germany. However, the productivity of the business did not improve with the use of this machinery. On investigation, it was found that the workers were not able to operate the high-tech machinery effectively, causing poor performance and wastages.

What can be done by Moon Ltd. to overcome the above problem?

- (vii) What is meant by *Span of Control*?
- (viii) Name *two* types of Markets on the basis of subject of exchange.
- (ix) State *any two* points of difference between *Marketing* and *Selling*.
- (x) What is meant by *Physical Distribution*?

Comments of Examiners	Suggestions for Teachers
<p>(i) Many candidates missed key words like-"direct influence" and "affects the working/performance". <i>Micro-environment</i> was at times confused with <i>macro environment</i> and <i>business environment</i>. Some candidates wrote that micro-environment consists of internal and external factors without completing the answer by writing how they affect an individual organization.</p> <p>(ii) Many candidates wrote the physical characteristics of a credit card like having a plastic body and a chip. A few candidates wrote <i>merits</i> instead of <i>features</i>. Some confused a credit card with a debit card. Instead of writing that a credit card has a cash withdrawal limit</p>	<ul style="list-style-type: none"><li>▪ <i>Ensure that students understand the meaning of the term Business Environment.</i></li><li>▪ <i>Reiterate key words while explaining micro and macro environment.</i></li><li>▪ <i>Ensure that students write precise answers with relevant keywords.</i></li><li>▪ <i>Stress upon the habit of writing out the answers.</i></li><li>▪ <i>Advise students to read questions thoroughly, understand clearly and then write carefully.</i></li><li>▪ <i>Clarify the difference between the terms "merit" and "feature".</i></li></ul>

- along with credit limit, most candidates wrote that a credit card is used to withdraw cash. The fact that some charges are charged from the credit card holder was written as *fees*.
- (iii) A few candidates defined net working capital as- Total assets minus Total liabilities instead of Current Assets minus Current Liabilities. The key word 'current' was missing from the answers. A few misspelt the word "excess" as "access", Some candidates defined gross working capital *i.e.*, working capital = current assets. Some candidates wrote the abbreviation CA-CL without giving the meaning of the symbols.
- (iv) In place of advantages of trade credit, some candidates wrote the meaning of trade credit. Many wrote, "it is a short-term source of finance" and "it can be returned at convenience", as advantages. A few wrote, "it helps in smooth running of business and profit can be earned". Some candidates wrote about *cash credit*. Several candidates wrote it as discount allowed by the seller to the buyer, some wrote about trade credit being short term loan given by financiers.
- (v) Many candidates explained management as a process, or they wrote functions of management. Several candidates wrote incomplete answers. They did not mention "the efforts of other people". Even while trying to write the alternate definition, several candidates mentioned the objectives of achieving certain common goals.
- (vi) Many candidates wrote that the company should remove the workers and recruit new well-trained workers. Some candidates could not identify the cause of poor performance. Several candidates wrote about rights of consumers. Many wrote that a complaint must be made to the District Forum.
- (vii) Many candidates attempted this question correctly. However, some candidates confused *span of control* with the *principle of unity of command*. The keyword 'number of subordinates under one manager' was missing in many answers. Also, many candidates wrote *subordinate* instead of *subordinates* and
- *Explain the forms of e-banking by giving live and situational examples.*
  - *Ensure that the concept of debit card, credit card, ATM card is crystal clear to students.*
  - *Stress upon key words / terms for conceptual clarity. Update the students with the latest trends in banking.*
  - *Use a flow chart to explain classification of capital.*
  - *Clarify terms such as: working capital, gross working, net working capital, fixed assets, current assets, total assets, current and long-term liabilities.*
  - *Explain trade credit, cash credit instalment credit, bank draft, bank overdraft in detail with adequate examples. Stress on the differences again and again so that the students are thorough.*
  - *Discuss case studies with application-based questions to reinforce the concepts taught and to ensure that students make correct usage of the terms.*
  - *Stress upon proper time management so that adequate time is left for last minute revision of the answers written.*
  - *Clarify the concept of span of control. Make students aware of the basic keywords which are essential to bring out the complete meaning of the term. Also, stress upon the rationale for using these terms.*
  - *Explain classification of markets by using flow charts along with relevant live examples, such as different classification of markets based on geographical area, volume of business, subject of exchange, position of buyers and sellers,*

*managers* instead of *manager* and this changed the meaning of the answer.

- (viii) Several candidates were confused with the classification of markets. Majority of the candidates were unable to understand the basis of classification asked for. Following were the common errors made by candidates: goods market, stock market, exchange market were written as examples of classification of market based on subject of exchange. Some even wrote spot market, and future market. Some candidates defined *market* instead of *types of markets*.
- (ix) In many answers, the basis of distinction was not stated correctly or did not correlate with the explanation. A few candidates wrote the definition of marketing and selling but with no clarity. Some candidates wrote the points of selling under marketing and the points of marketing under selling. Several candidates were confused between *marketing* and *sales promotion*.
- (x) For the meaning of *Physical Distribution* some candidates wrote the definition of marketing while others wrote “selling of goods by producers to consumers”.

*nature of transactions and nature of goods.*

- *Point out the difference between the terms marketing and selling, giving ample relevant examples.*
- *Inculcate the habit among students of writing differences in a tabular form along with the basis of difference, as this helps in avoiding repetition.*
- *Emphasise the importance of time management while answering questions.*
- *Clarify the difference between the channel of distribution and physical distribution.*

## MARKING SCHEME

### Question 1

(i)	<p><i>Micro-Environment:</i></p> <p>Micro-Environment refers to those <u>internal (any internal factor, e.g. mission) and external (any external factor like customer, etc.) factors/ forces which exercise a direct influence on the working and performance of an individual business organisation.</u></p>
(ii)	<p>Features of a Credit Card:</p> <ol style="list-style-type: none"> <li>1. The Credit Card does not require the user to deposit advance money with the issuer of the Card. However, the user may be asked to open an account.</li> <li>2. The card contains personal details / name / address / validity / date of the card holder.</li> <li>3. Name and address of the bank.</li> <li>4. Credit card allows credit facility to the cardholder.</li> <li>5. The cardholder has to make payment after using the card.</li> <li>6. The cardholder pays some charges for the credit card.</li> </ol>

	<p>7. Some incentives / gifts may be available to the cardholder.</p> <p>8. Has a cash withdrawal limit along with credit limit.</p> <p>9. Add on card facility, free of cost for family members.</p> <p>10. Annual fee, depending upon the variant of Credit Card may be levied</p> <p>11. Additional charges on delayed payment</p> <p>12. Service tax.</p> <p>13. A person with a good reputation/credit standing/goodwill is issued a credit card.</p> <p style="text-align: right;"><i>(Any two)</i></p>
(iii)	<p><i>Net Working Capital:</i></p> <p>Net Working Capital means the excess of current assets (any two current assets) over current liabilities (any two current liabilities).</p> <p style="text-align: center;"><b>OR</b></p> <p>Net Working Capital = Current Assets / Accounts receivable – Current Liabilities /Accounts payable.</p>
(iv)	<p>Advantages of Trade Credit:</p> <ol style="list-style-type: none"> <li>1. It reduces the capital/ working capital requirement.</li> <li>2. Convenient method of raising short term finance.</li> <li>3. Simple/No formalities are involved</li> <li>4. Credit is readily available to reputed business firms.</li> <li>5. No interest is payable.</li> <li>6. No security is required.</li> <li>7. Flexible source of finance as no charge is created against the assets of the company.</li> <li>8. More economical/cheaper than bank loan.</li> </ol> <p style="text-align: right;"><i>(Any two) (self-explanatory)</i></p>
(v)	<p>Management as an activity:</p> <p>As an activity, management means the art of getting things done through the efforts of other people.</p> <p style="text-align: center;"><b>OR</b></p> <p>As an activity, management guides, directs, regulates, and integrates human efforts towards the achievement of certain common goals.</p> <p>Management aims to achieve organizational goal.</p>
(vi)	<p>Give training to the employees.</p>
(vii)	<p>Span of control is the area of activity and number of functions, people or things for which an individual or organisation is responsible.</p> <p style="text-align: center;"><b>OR</b></p>

	<p>Span of control refers to <i>the number of subordinates</i> under the <i>manager's direct control</i>. As an example, a manager with five direct reports has a span of control of five.</p> <p style="text-align: center;"><b>OR</b></p> <p>Number of employees that report to a manager.</p>																																								
(viii)	<p>Types of markets on the basis of subject of exchange:</p> <ul style="list-style-type: none"> <li>• Commodity Market</li> <li>• Capital market</li> <li>• Money market</li> </ul> <p style="text-align: right;"><i>(Any two)</i></p>																																								
(ix)	<p>Points of difference between <i>marketing</i> and <i>selling</i>:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Sr.No.</th> <th style="text-align: center;">Basis</th> <th style="text-align: center;">Marketing</th> <th style="text-align: center;">Selling</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1.</td> <td>Scope</td> <td>Wide scope</td> <td>Narrow scope</td> </tr> <tr> <td style="text-align: center;">2.</td> <td>Focus</td> <td>Needs of buyer</td> <td>Needs of seller</td> </tr> <tr> <td style="text-align: center;">3.</td> <td>Object / nature / meaning</td> <td>Profit through customer satisfaction</td> <td>Profits through sales volume</td> </tr> <tr> <td style="text-align: center;">4.</td> <td>Orientation</td> <td>Customer oriented</td> <td>Product oriented</td> </tr> <tr> <td style="text-align: center;">5.</td> <td>Beginning</td> <td>Begins before production</td> <td>Begins after production</td> </tr> <tr> <td style="text-align: center;">6.</td> <td>End</td> <td>Continuous after sales</td> <td>Ends with sales</td> </tr> <tr> <td style="text-align: center;">7.</td> <td>Perspective</td> <td>Long term perspective</td> <td>Short term perspective</td> </tr> <tr> <td style="text-align: center;">8.</td> <td>Slogan</td> <td>Let the seller beware</td> <td>Let the buyer beware</td> </tr> <tr> <td style="text-align: center;">9.</td> <td>Approach</td> <td>Systematic</td> <td>Fragmented</td> </tr> </tbody> </table> <p style="text-align: right;"><i>(Any two)</i></p>	Sr.No.	Basis	Marketing	Selling	1.	Scope	Wide scope	Narrow scope	2.	Focus	Needs of buyer	Needs of seller	3.	Object / nature / meaning	Profit through customer satisfaction	Profits through sales volume	4.	Orientation	Customer oriented	Product oriented	5.	Beginning	Begins before production	Begins after production	6.	End	Continuous after sales	Ends with sales	7.	Perspective	Long term perspective	Short term perspective	8.	Slogan	Let the seller beware	Let the buyer beware	9.	Approach	Systematic	Fragmented
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(x)	<p><b>Physical Distribution:</b></p> <p>Physical distribution means a series of interrelated activities involved in the movement of materials and finished goods so that they are available at the right time and at the right place.</p> <p style="text-align: center;"><b>OR</b></p> <p>It is a set of activities / storage / warehousing / inventory control / order processing (<i>any two elements of physical distribution</i>) concerned with efficient movement of finished goods from the producer's end to the consumer's end.</p> <p style="text-align: right;"><i>(Any other relevant point may also be accepted)</i></p>																																								

## PART II (60 Marks)

Answer any five questions

### Question 2

- (a) Explain *any three* advantages of Debentures from the Debenture holder's point of view. [3]
- (b) With reference to the various dimensions of Business Environment, state what is meant by *Political Environment*. Mention *any three* components of Political Environment. [4]
- (c) Enumerate *any five* points of importance of *staffing* as a function of management. [5]

Comments of Examiners	Suggestions for Teachers
<p>(a) Most candidates wrote the merits of debentures from the viewpoint of a Company, like having no voting rights. Some candidates got confused between debentures and shares. A few candidates instead of writing regular <i>interest</i> or <i>return</i>, wrote that a debenture holder gets regular dividend, which was incorrect.</p> <p>(b) Many candidates wrote an incorrect definition of Political Environment. Some candidates either wrote <i>management of public affairs</i> or <i>impact on business</i>. Many candidates wrote the components which were vague and irrelevant. A number of candidates stated the names of specific defence/foreign policy instead of writing in general as components of political environment. A few candidates wrote about the political situation or politicians or political structure, instead.</p> <p>(c) Many candidates gave correct headings but could not substantiate the headings. Points like holistic approach, liberalisation and globalisation, multiplier effect were not explained by many candidates. Repetition of explanation as well as the headings was also observed. Majority of the candidates wrote about the <i>features</i> instead of <i>importance</i> of staffing. A few candidates wrote about the process of staffing.</p>	<ul style="list-style-type: none"><li>▪ <i>Teach students shares and debentures in detail, clearly discussing the meaning, features, merits and demerits from debenture holder's point of view.</i></li><li>▪ <i>Ask students to read and understand the question before attempting to answer.</i></li><li>▪ <i>Explain the terms "interest" and "dividend".</i></li><li>▪ <i>Teach the elements of Macro environment by giving examples of the prevailing situations and relating them to the key words. Stress upon the keywords which bring out the complete meaning of the answer. For better retention of topics couple classroom teaching with live examples.</i></li><li>▪ <i>Clarify the terms Political, Legal and Economic Environment.</i></li><li>▪ <i>Train students to understand the difference between the terms "features" and "importance".</i></li><li>▪ <i>Train students to write answers giving headings with proper explanation for each heading.</i></li><li>▪ <i>Discuss each function of management under the following heads-meaning, steps, features, merits and demerits.</i></li></ul>

## MARKING SCHEME

### Question 2

- (a) Advantages of Debentures, from the point of view of Debenture holders:
- Appeal to cautious investors – Large amount of finance can be raised by issue of debentures from cautious and orthodox investors who prefer safety of investment and a fixed return.
  - Regular Return – Debenture holders are paid interest at a fixed rate and at periodic intervals irrespective of profits.
  - Safety of investment – Debentures are usually secured by a charge on the company's assets. So, their repayment is assured.
  - Preference in repayment – In the event of winding up of the company, they are given preference in repayment.
  - Debentures have a definite maturity period.
  - A debenture is usually more liquid investment, and an investor can sell or mortgage his instrument to obtain loans from financial institutions.
  - The interest of debenture-holders is protected by various provisions of the debenture trust deed and the guidelines issued by the Securities and Exchange Board of India in this regard.

- (b) Political Environment:  
Meaning:  
Political Environment is the environment that consists of the forces concerning management of public affairs and their impact on business.  
Components:
- Constitutional framework.
  - The political system – nature and ideology, political parties and power centres.
  - The political structure – centre - state relations.
  - Stability of the government
  - Political processes – Party system, elections, and their funding.
  - Foreign and Defence policy of a country
  - Relation of the country with other countries.
  - Type of government, i.e. single party or multi-party government
  - Peace in the country.
  - Attitude of government towards business organization.

*[Any three components]*

(c)	<p>Importance of Staffing as a function of Management:</p> <ul style="list-style-type: none"> <li>• Filling organizational positions – Staffing ensures that various organizational positions are filled by right persons.</li> <li>• Optimum use of human resources - by matching talent with the job.</li> <li>• Employee satisfaction – by making the employee do the work which matches his qualification and thus help him to develop and acquire better incentives and scope for promotion.</li> <li>• Key to other functions – Staffing injects life into the organization by providing the right person for every job. The effectiveness of directing and controlling functions also depends upon staffing.</li> <li>• Long-term effect – Investment in human resource has long term effects on the organization, thus decision in this direction should be taken with utmost care.</li> <li>• Efficiency/ specialisation – Since staffing helps to place the right person at the right job, efficiency of the organization increases.</li> <li>• Huge investment</li> <li>• Holistic approach</li> <li>• Liberalisation and Globalisation</li> <li>• Multiplier effect</li> </ul> <p style="text-align: right;">(Any five points)</p>
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### Question 3

- (a) Distinguish between a *Formal Organisation* and an *Informal Organisation*. [3]
- (b) Explain *any four* objectives of Communication. [4]
- (c) Define *Advertising*. Explain *any four* features of Advertising. [5]

Comments of Examiners	Suggestions for Teachers
<p>(a) Many candidates did not bring out the differences between formal and informal organization. Social interactions or social relationships among employees in informal organisations were missed out by many. Several candidates neither wrote the basis for a differentiation nor mentioned the basis within the sentences, they simply gave one word as distinction. A few candidates repeated the points in the answers.</p> <p>(b) In place of objectives of communication most of the candidates wrote characteristics / features / importance or elements of communication.</p>	<ul style="list-style-type: none"> <li>▪ Explain the terms formal and informal organization by drawing examples from the surrounding environment and relating them to the concept being taught.</li> <li>▪ Stress upon the use of correct antonyms wherever required. For example - its structure is rigid - its structure is flexible (instead of "is not rigid").</li> <li>▪ Train students to write the differences in a tabular form and</li> </ul>

A few wrote, how it helps in overcoming barriers and how it helps in informing about products, thus increasing profits of the company. Some candidates explained the process of communication. In some scripts, the header was not accompanied by a correct explanation. The point 'to train and educate people' was written as to 'train and educate managers' by several candidates.

- (c) In the definition of advertising some candidates missed key words like paid/non-personal/identified sponsor/promotion of goods and services. Many candidates did not mention four features of advertising. Several candidates mistook *features* for *advantages*. Some candidates got confused between *publicity* and *advertising*.

*mention the basis to ensure that the differences co relate and there is no overlapping or duplication of points.*

- *Ask students to give complete explanation if the basis of difference is not given.*
- *Help students to understand the difference between features, objectives, barriers and process of communication.*
- *Help students to understand the difference between features and advantages of advertising.*
- *Discuss the concept of advertising in detail, focusing on important keywords like 'paid form', 'identified sponsor', 'non personal presentation', 'ideas' and 'services'. Keep emphasising on the different elements of promotion.*

## MARKING SCHEME

### Question 3

- (a) Differences between a Formal and an Informal organisation are:

Sr. No.	Basis	Formal Organisation	Informal Organisation
1.	Meaning	Structure of Authority relationship	Network of social relationship
2.	Formation	Deliberately planned and created by management	Emerges spontaneously as a result of social interactions among employees
3.	Purpose / focus	To achieve planned goals of the organisation	To satisfy social and cultural needs of members and fulfil common interest
4.	Structure	Well defined structure	No clear-cut structure
5.	Nature	Rigid/ stable/predictable	Flexible/unstable, unpredictable
6.	Leadership	Managers act as leaders by virtue of their superior position	Members voluntarily choose their leaders

7.	Flow of communication	Official lines of communication called scalar chain	Members communicate in any direction as per convenience
8.	Origin	Originates as a result of company rules and policies	Originates as a result of social interaction
9.	Interdependence	Exists independently	Within the framework
10.	Rules & Regulations	Written	Oral
11.	Organisation chart	Can be depicted	Cannot be depicted

*(Any three)*

(b) Objectives of Communication:

- To educate and train people: The management issue orders and instructions to employees so that they may perform their jobs efficiently. Consumers are provided information about new products and their uses.
- To motivate employees: Good communication can mould employee's behaviour and create cordial industrial relations.
- To promote managerial efficiency: Managers provide guidance to employees through communication thereby improving their efficiency.
- To implement decisions quickly: Subordinates understand managerial decisions and take steps to implement them through communication.
- To facilitate leadership: The effectiveness of leaders depends on their communication skills.
- To carry out change: Free flow of ideas and information reduces workers' resistance to new technology and other changes.
- To create teamwork: Communication is designed to create mutual understanding and cooperation among people working for living together.
- To secure feedback: Suggestions and complaints from workers and consumers enable managers to improve work methods and procedures.

*(Any four points)*

(c) Advertising:

Meaning: Any paid form of non-personal presentation and promotion of ideas, goods and services by an identified sponsor. *(any other relevant point)*

Features:

- Advertising is a paid form of communication. The advertiser has to pay to the advertising media used for the space or time used to communicate the message to customers.
- It is a non-personal form of presenting information regarding a product, service or idea.
- It is done by an identified sponsor.

- It is a form of mass communication.
- Advertising can be done through a wide variety of media.
- It is generally positive
- It is widely used and popular tool of product promotion.
- It is a one-way communication/ No feedback.
- It is less credible.

(any four points)

## Question 4

- (a) Explain *any three* sources of External Recruitment. [3]
- (b) Give *four* differences between Taylor's and Fayol's Principles of Management. [4]
- (c) What is meant by RTGS? Give *any three* features of RTGS. [5]

### Comments of Examiners

- (a) Majority of the candidates answered this question correctly. However, while many candidates gave correct headings for the sources, they could not substantiate the headings with proper explanation, for example, for Gate hiring, the explanation was - *a notice is put for hiring people*; for Placement Agencies - *they hire people on behalf of the Company*. Some candidates repeated the sources, for example: *Internet* and *websites*. Many candidates wrote advertising as a source but explained it as an element of promotion mix. Newspapers, magazines, advertisements were written as separate points by several candidates. A few candidates wrote about *internal* source of recruitment instead of sources of *external recruitment*.
- (b) Most candidates answered this part correctly. However, some wrote the principles of management instead of differentiating between the two principles asked. The basis of distinction was not mentioned by many candidates. Some candidates mentioned the basis, but *the differences did not co relate to the basis or to each other*. Repetition of points was also observed in some scripts.

### Suggestions for Teachers

- *Explain sources of External Recruitment by giving live situational examples.*
- *Involve students in the learning process to help them retain what is taught.*
- *In long answers, headings with relevant and adequate explanation must be given.*
- *Conduct group discussions, role plays and live examples to help students retain the subject matter effectively.*
- *Ensure that the students understand the differences between the asked principles of management.*
- *Discuss the meaning and unique features of RTGS and NEFT thoroughly.*
- *Clarify and reinforce essential key words which are mandatory to the concept.*
- *Advise students to read the questions carefully and write answers according to the requirements, of the question.*

- (c) Majority of the candidates did not write key terms such as *transfer of funds in Real time / gross basis / one to one basis, bank/branch to another*. Some candidates limited their explanation to only the expansion of the abbreviation RTGS. Several candidates wrote the merits instead of features. A few candidates wrote the features of NEFT instead of features of RTGS.

## MARKING SCHEME

### Question 4

(a) Sources of External Recruitment:

- Advertisement
- Employment exchange
- Educational institutions/ Campus recruitment
- Placement /Personnel consultants
- Casual callers /Waiting list
- Direct recruitment / Gate hiring
- Recommendation of present employees
- Labour contractors and jobbers
- Internet /Telecasting/e-recruitment

*(Any three points with brief explanation)*

(b) Differences between Taylor's and Fayol's Principles of Management:

Sr.No.	Basis	F.W. Taylor	Henry Fayol
1.	Meaning / Focus	F.W. Taylor, is a father of scientific management who introduced four principles of management, for increasing overall productivity.	Henry Fayol is a father of modern management who laid down 14 principles of management, for improving overall administration / efficiency.
2.	Concept	Scientific management	General theory of administration.
3.	Emphasis / Perspective	Low level management	Top level management
4.	Applicability	Applies to specialised organisations only	Universally applicable
5.	Basis of formation	Observation and experimentation.	Personal experience

6.	Orientation	Production and engineering	Managerial functions
7.	System of wage payment	Differential payment system.	Sharing of profit with managers
8.	Approach	Engineer's approach	Manager's approach
9.	Personality	Scientist / Father of scientific management	Practitioner / Father of modern management

(Any four points)

(c) RTGS:

Meaning: It is a fund transfer system under which transfer of funds takes place from one bank to another on a 'Real Time' and 'Gross basis'. Real Time means, there is no waiting period and gross basis means, transactions are done on one to one basis rather than in batches.

Features:

- Real Time Gross Settlement (RTGS) facility is provided only by CBS enabled bank branches.
- RTGS transactions are processed individually and continuously rather than in batches.
- The minimum amount in a RTGS transaction is rupees two lakhs.
- There is no upper ceiling for RTGS transaction / maximum 10 lakh per day
- The receiving or beneficiary bank must credit the customer's account within 30 minutes of receiving the funds transfer message.
- Timing of RTGS is 7 a.m. to 6 p.m.
- It is irreversible/irrevocable /can't be changed.
- It can be used for foreign remittances.
- No charges from the receiver.
- Sender has to pay some charges.

(meaning, any three features)

## Question 5

- (a) Explain *any three* factors that you will consider while determining the Working Capital requirement for a business enterprise. [3]
- (b) Explain *four* advantages of raising funds from Commercial Banks. [4]
- (c) Explain the *first five steps* involved in the process of *Planning*, as a function of Management. [5]

Comments of Examiners	Suggestions for Teachers
<p>(a) Many candidates got confused between the factors affecting fixed capital and working capital requirements. A few candidates wrote correct side headings but could not explain the same. A few candidates wrote types of working capital instead.</p> <p>(b) Majority of the candidates were not able to write correctly, the advantages of raising funds from Commercial Banks. Some gave types of credits or functions of banks whereas others gave advantages of borrowing funds (from financial institutions) without relating them to the bank</p> <p>(c) Many candidates wrote the side headings correctly but did not give any explanation. Some candidates gave a vague explanation to each of the steps. A few candidates wrote steps of controlling and a few others wrote the steps of organising. Some candidates wrote the steps involved in the process of Planning, in incorrect sequence.</p>	<ul style="list-style-type: none"> <li>▪ <i>Clarify the terms Fixed capital and Working capital and factors affecting them very clearly, giving relevant examples.</i></li> <li>▪ <i>Insist upon students to write complete explanation of points.</i></li> <li>▪ <i>Explain the importance of time management to students. Instruct them to revise the answers written by them to avoid mistakes.</i></li> <li>▪ <i>Discuss various types of loans and their advantages in detail.</i></li> <li>▪ <i>Train students to write the steps involved in the process of planning in correct order or sequence.</i></li> <li>▪ <i>Organize an activity in the class in which the students themselves plan, organize and control thereby going through the steps of various functions of management.</i></li> </ul>

## MARKING SCHEME

### Question 5

- (a) Factors to be kept in mind while considering Working Capital of a Business enterprise:
- Nature of Business - Manufacturing firms require considerable working capital as they have to build up stock of raw-materials and finished goods on the other hand, public utility undertakings require less working capital as they do not have to maintain inventory.
  - Size of Business – Firms carrying on large-scale operations require more working capital than small scale firms.
  - Manufacturing cycle – It means the time involved in the production of goods. Longer is a time gap between the purchase of raw-materials and production of finished goods, higher is a need for working capital.
  - Rapidity of Turnover – When turnover is rapid, the amount of working capital required is small. This is because working capital is locked up in business for a short period.
  - Terms of purchase and sale – A business firm requires comparatively small amount of working capital if it buys goods and services on credit and sells them in cash. On the other hand, if it purchases in cash and sells on credit, larger amount of working capital will be required.

	<ul style="list-style-type: none"> <li>• Credit policy – when a liberal credit policy is followed, more working capital is required. On the contrary, smaller working capital is needed in case of a tight credit policy.</li> <li>• Goodwill of Business – An enterprise enjoying good reputation in the market can easily and quickly obtain short-term loans from commercial banks. It requires a less amount of working capital.</li> <li>• Growth and expansion plans – growing and expanding firm requires more working capital than a stagnant firm.</li> <li>• Seasonal variation – working capital requirement of business which are subject to seasonal variations are comparatively high during a particular season.</li> <li>• Cyclical fluctuation – cyclical changes create emergency demand for working capital. During boom period there is need for larger working capital to support higher sales.</li> <li>• Operating efficiency</li> </ul> <p style="text-align: right;"><i>(Any three points with explanation of each point)</i></p>
(b)	<p>Advantages of raising funds from Commercial Banks:</p> <ul style="list-style-type: none"> <li>• Funds are available for a long period, often between three to ten years/ specified period.</li> <li>• Repayment of loan/ interest amount can be made out of future earnings of the company.</li> <li>• Interest payable on bank loan is a tax-deductible expense.</li> <li>• Loan can be repaid in easy instalments</li> <li>• Bank maintains utmost secrecy of the affairs of their clients.</li> <li>• Bank provides fund in many ways. The borrower has a choice.</li> <li>• Bank do not interfere in the management of the client’s business.</li> <li>• Loan from a reputed bank increases the credit worthiness of the borrower.</li> <li>• Trading on equity.</li> </ul> <p style="text-align: right;"><i>(Any four points)</i></p>
(c)	<p>First Five Steps involved in the process of Planning:</p> <ol style="list-style-type: none"> <li>1. Setting objectives</li> <li>2. Developing the planning premises</li> <li>3. Identifying alternative course of action</li> <li>4. Evaluating alternatives and choosing the best alternative</li> <li>5. Formulating derivative plans</li> </ol> <p style="text-align: right;"><i>(All steps in correct order with explanation of each step)</i></p>

## Question 6

- (a) Explain *any three* methods of Consumer Protection. [3]
- (b) What are *Retained Earnings*? Explain *any three* demerits of Retained Earnings. [4]
- (c) Define *Marketing*. Briefly explain *any three* features of Marketing. [5]

Comments of Examiners	Suggestions for Teachers
<p>(a) Majority of the candidates were able to explain the three methods of consumer protection correctly. Some candidates confused methods of Consumer Protection with the Rights / responsibilities of Consumers or the Consumer Protection Act.</p> <p>(b) Most candidates did not explain <i>Retained Earnings</i> correctly. In many scripts, either of the two key words, <i>retaining</i> and <i>reinvesting</i> was missing. Though many candidates wrote the demerits of <i>Retained Earnings</i> correctly, a few wrote merits instead of demerits.</p> <p>(c) Many candidates defined <i>market</i> instead of <i>marketing</i>. Some other candidates defined marketing without conveying the correct meaning. A large number of candidates wrote <i>objectives</i> and <i>importance</i> in place of <i>features</i> of marketing. Also, in several scripts, the headings were correct, but the explanation written was vague, and incorrect.</p>	<ul style="list-style-type: none"> <li>▪ <i>Discuss clearly, the difference between the Rights and Responsibilities of Consumers, need for Consumer Protection and methods of Consumer Protection.</i></li> <li>▪ <i>Instruct students to read and understand the question carefully before attempting to answer it.</i></li> <li>▪ <i>Emphasizing on key words while teaching the concept.</i></li> <li>▪ <i>Explain the Retained Earnings and their merits and demerits thoroughly.</i></li> <li>▪ <i>Clarify market, marketing, its functions, features, importance and objectives in detail. Repeatedly discuss types of markets and their classification.</i></li> </ul>

## MARKING SCHEME

### Question 6

- (a) Methods of Consumer Protection:
- Self -regulation by Business
  - Consumer Awareness
  - Consumer Associations
  - Government control
  - Publicity
  - Awards
  - Lok Adalats
  - Public Interest Litigation
  - Consumer Redressal Forums
  - Environment Friendly Products
  - Consumer Welfare fund

*(Any three points)*

<p>(b)</p>	<p>Retained Earnings:</p> <p>Meaning: It is a process of <u>retaining</u> a part of the net profits year after year and <u>reinvesting</u> the same in the business.</p> <p>Demerits:</p> <ul style="list-style-type: none"> <li>• The Management of the company may not always use retained earnings in the best interest of shareholders and may invest in unprofitable fields.</li> <li>• Heavy reinvestment leads to lower rate of dividend to shareholders.</li> <li>• It may lead to unbalanced industrial growth because profits which might have been invested outside in other industries are reinvested in same industry.</li> <li>• It may be used to manipulate share prices on the stock exchange.</li> <li>• Excess retained earnings leads to over capitalization.</li> <li>• Excess retained earnings may result in monopoly and concentration of economic power in few hands.</li> </ul> <p style="text-align: right;"><i>(Any three points)</i></p>
<p>(c)</p>	<p>Marketing:</p> <p>Meaning: All activities that direct the flow of goods and services from the producers to consumers or ultimate users.</p> <p>Features:</p> <ul style="list-style-type: none"> <li>• Customer oriented – all business activities should be oriented towards the satisfaction of customers’ needs.</li> <li>• Marketing Research – in order to understand and satisfy the need of customers, relevant information needs to be collected.</li> <li>• Continuous and dynamic – it is a continuous process. A marketer has to consistently monitor the environment and make changes accordingly.</li> <li>• Precedes Production – it precedes production in the sense that identifying customers needs and wants is the primary task of a marketing manager.</li> <li>• Integrated Approach – there should be coordination among various departments of the enterprise to achieve the desired goals.</li> <li>• Pervasive – it is needed in both business and non-business organizations. In non-business organisation, it may be in the form of spreading useful social information about hygiene, family planning, etc.</li> </ul> <p style="text-align: right;"><i>(Or any other relevant points)</i></p> <p style="text-align: center;"><i>(Meaning of Marketing, any three features- headings and explanation of each)</i></p>

## Question 7

- (a) Explain *any three* objectives of Publicity, as an element of Promotion Mix. [3]
- (b) What are the various Channels of Distribution available to a Manufacturer in the process of distribution? [4]
- (c) Give *five* differences between *Preference Shares* and *Equity Shares*. [5]

Comments of Examiners	Suggestions for Teachers
<p>(a) Majority of the candidates wrote <i>features</i> of Publicity in place of <i>objectives</i> of Publicity. Some candidates could write only two objectives of Publicity. Several candidates got confused between the objectives of <i>Publicity</i> and <i>Advertising</i> / Sales promotion / Personal selling.</p> <p>(b) Most of the candidates answered the various Channels of Distribution available to a Manufacturer in the process of distribution, correctly. The common errors noticed were:</p> <ul style="list-style-type: none"> <li>– only mentioned the flowchart or examples of channels of distribution and ignored the explanation.</li> <li>– wrote elements of physical distribution.</li> <li>– did not write the correct channel of distribution from the manufacturer to the consumer.</li> </ul> <p>(c) A large number of candidates did not write basis of distinction to differentiate <i>Preference Shares</i> and <i>Equity Shares</i> and wrote one-word answer. However, many others wrote the basis of distinction but did not write the specific word which differentiates the two terms. Some wrote vague and incomplete differences.</p>	<ul style="list-style-type: none"> <li>▪ <i>Explain elements of Promotion Mix, especially Publicity clearly to the students.</i></li> <li>▪ <i>Differentiate Publicity from Advertising, giving relevant examples.</i></li> <li>▪ <i>Discuss the differences between objectives and features of Publicity, in the context of business.</i></li> <li>▪ <i>Regular revision of topics by asking questions or by conducting written tests will help students to retain concepts.</i></li> <li>▪ <i>Do a project with students on marketing a product using all the promotional strategies.</i></li> <li>▪ <i>Discuss in detail the different channels of distribution. i.e., zero level, one level, two level and three level with proper explanation and a flowchart.</i></li> <li>▪ <i>Point out the differences between Preference shares and Equity shares clearly.</i></li> <li>▪ <i>Explain shares and debentures with the help of a flow chart.</i></li> <li>▪ <i>Conduct group discussions, role plays to help students to retain the subject matter effectively.</i></li> </ul>

## MARKING SCHEME

### Question 7

- (a) Objectives of Publicity, as an element of Promotion Mix:
- To inform the public about a product or service
  - To draw public attention to noteworthy event
  - To save cost / economical / cheaper
  - To highlight an organizations contribution to society.
  - To warn people about undesirable activities or goods/ public
- (Any three points – self-explanatory)*

- (b) Channel of Distribution available to a Manufacturer in the process of Distribution:
- Manufacturer – consumer (zero level)
  - Manufacturer – Retailer – consumer (one level)
  - Manufacturer – wholesaler – retailer – consumer (two level)
  - Manufacturer – Agent - wholesaler – retailer – consumer (three level)
- (Each point to be explained briefly)*

- (c) Differences between *Preference Shares* and *Equity Shares*:

Sr.No.	Basis	Preference Shares	Equity Shares
1.	Nominal value	High	Low
2.	Risk	Comparatively low	Very high
3.	Dividend	Fixed	Varies with company's profits
4.	Voting rights	Limited voting rights	Full voting rights
5.	Refund of capital	Prior to refund of equity capital	Repayment after all other obligations are refunded
6.	Appeal	Appeal to cautious and conservative investors	Appeal to bold and adventurous investors
7.	Redemption	Redeemable during the life of the company	Not redeemable during the lifetime of the company
8.	Convertibility	Can be convertible into equity shares	Not convertible into preference shares
9.	Arrear of dividend	May accumulate	Never accumulate
10.	Issue of Right and Bonus shares	Not entitled to receive Rights shares and Bonus shares.	Entitled to receive Rights shares and Bonus shares.
11.	Order of refund	Before equity shares	After preference shares

*(Any five)*

## Question 8

- (a) Explain *any three* features of Industrial Products. [3]
- (b) Define *Management*. Briefly explain *any three* objectives of Management. [4]
- (c) Explain *any five* qualities that a good leader should possess. [5]

Comments of Examiners	Suggestions for Teachers
<p>(a) Instead of features of Industrial Products, many candidates wrote about classification or meaning of Industrial Products. Some candidates explained the types of Industrial Products, e.g.: raw materials, operating supplies, etc. Side headings were not written by several candidates. Most answers were vague, inadequate, and inaccurate.</p> <p>(b) Most of the candidates attempted this part correctly. Some confused the objectives of Management with the features or importance of Management or objectives and importance of Marketing.</p> <p>(c) A large number of candidates attempted this question well. However, some candidates wrote only the header without any explanation. A few candidates did not explain the qualities but the output of the qualities. Some candidates confused leadership qualities with the qualities of a salesman.</p>	<ul style="list-style-type: none"> <li>▪ <i>Ensure that students understand "Product", "types of products" and "features of different types of products" clearly.</i></li> <li>▪ <i>Train students to write side headings with explanation in long answers.</i></li> <li>▪ <i>Emphasise upon conceptual clarity and stress upon use of correct terminology.</i></li> <li>▪ <i>Organise interactive sessions and give written practice of answers frequently.</i></li> <li>▪ <i>Explain the meaning, classification, and features of industrial products with appropriate examples.</i></li> <li>▪ <i>Ensure that students understand the concept of Management and its objectives and importance clearly.</i></li> <li>▪ <i>Explain the qualities of leadership in detail and give examples of leaders from real life.</i></li> </ul>

## MARKING SCHEME

### Question 8

- (a) Features of Industrial Products:
- Few Buyers – the number of buyers of industrial products is limited.
  - Indirect/Derived demand – the demand for industrial products is derived from the demand for consumer goods.
  - Geographical concentration – Industrial markets are geographically concentrated. For example, sugar mills are located in few regions.
  - Shorter distribution channels – Due to a few and concentrated buyers, industrial products are sold through direct channel or one level channel.
  - Technical considerations – Industrial products are complex and involve technical issues.

	<ul style="list-style-type: none"> <li>• Leasing out – Due to heavy price, some buyers may lease out capital equipment, instead of outright purchase.</li> <li>• Reciprocal buying.</li> </ul> <p style="text-align: right;"><i>(Any three features with explanation)</i></p>
(b)	<p>Management:</p> <p>Meaning: Management is what Management does. It is the task of planning, executing and controlling.</p> <p>Management is the art of knowing exactly what you want people to do and seeing that they do it in the best and cheapest way.</p> <p>Management is the force that integrates human and non-human resources into effective operating unit.</p> <p style="text-align: right;"><i>(Or any other relevant answer)</i></p> <p>Objectives:</p> <ul style="list-style-type: none"> <li>• Growth and development/ Prosperity – Management must ensure that the business organisations earn sufficient profits for growth and development.</li> <li>• Quality products at fair prices – the aim of good management has always been to produce better quality products at the minimum cost.</li> <li>• Improving performance – Management should aim at improving the performance of each and every factor of production by making them to perform well.</li> <li>• Development of people – Management should work for its people as to ensure success. Well-motivated people perform in a better way in achieving the goals.</li> <li>• Discipline and Morale – Management maintains discipline and boost the morale of the employees by giving them authority and responsibility.</li> <li>• Optimum utilization of resources – The objective of management is to use various resources of the enterprise in a most economical way.</li> <li>• Innovation – management undertakes research and development to take lead over its competitors and meet uncertainties of the future.</li> <li>• Right decision – Management must ensure that the right decisions are taken at the right time for the success of the business.</li> <li>• Profitability</li> <li>• Improving image/goodwill</li> </ul> <p style="text-align: right;"><i>(Any three objectives with brief explanation)</i></p>
(c)	<p>Qualities of a good leader:</p> <ul style="list-style-type: none"> <li>• Sound physique</li> <li>• Intelligence</li> <li>• Initiative</li> <li>• Decisiveness</li> <li>• Emotional stability</li> <li>• Self-confidence</li> <li>• Will power</li> </ul>

- Communication skills
- Vision and foresight
- Sense of responsibility
- Social skills
- Character/integrity/honesty/creativity

(Any five points with brief explanation)

## Question 9

Write short notes on the following:

- (a) Instalment Credit as a source of short-term funds for business. [4]
- (b) Line and Staff Organisation. [4]
- (c) Marketing Research. [4]

### Comments of Examiners

- (a) Majority of the candidates wrote the meaning of Instalment Credit as a source of short-term funds for business, correctly. However, a few candidates wrote only the disadvantages of Instalment Credit. Common errors observed were:
- In Instalment Credit, purchase of current assets or goods was mentioned instead of fixed assets or non-current assets.
  - Either the merits and demerits were not stated or stated incorrectly.
  - Vague and generalized explanation was given.
- (b) In Line and Staff Organization, majority of the candidates did not provide a satisfactory answer. Some candidates stated the merits and demerits correctly, but the explanations given by many candidates were vague and generalized. Several candidates defined Line Organisation and Staff Organisation separately. Many candidates did not write the advantages and disadvantages.
- (c) The term Marketing Research could not be answered correctly by many candidates. Some candidates made errors by writing that it is the consumer who does market research in order to find a suitable product. Most of the candidates wrote the meaning of Market or Marketing, instead of Marketing Research.

### Suggestions for Teachers

- Clarify to students how short-term funds are different from medium term funds and long-term funds.
- Help students understand the difference between "Line Organisation" and "Line and Staff Organisation" clearly giving appropriate examples. Use quizzes / power point presentations to bring out the concept of different types of organization at structures.
- Give enough practice of writing short notes with meaning, features, importance, advantages, and disadvantages.

## MARKING SCHEME

### Question 9

- (a) Instalment Credit as a source of short-term funds for business:
- Meaning: It refers to the facility of buying machinery, equipment, and other durable goods on credit.
- Advantages:
- The balance payment can be made in instalments after paying a part of the cost at the time of delivery.
  - It enables the business firm to use the asset and make payment out of the earnings.
- Disadvantages:
- High rate of interest has to be paid in each instalment
  - Unnecessary expenditure in purchasing asset which may not be needed.
  - It may become difficult to pay instalments in future due to low earnings.
  - High rate of interest has to be paid in each instalment
  - Unnecessary expenditure in purchasing asset which may not be needed.
  - It may become difficult to pay instalments in future due to low earnings.
- (Give meaning, one advantage and one disadvantage)*
- (b) Line and Staff Organisation:
- Meaning: It is a combination of the line structure and the functional structure. It is an attempt to combine the advantages of specialisation and unity of command.
- Advantages:
- Balanced decisions
  - Discipline
  - Flexibility
  - Undivided responsibility
  - Executive development
  - Planned specialisation
- Disadvantages:
- Conflicts
  - Lack of coordination
  - Expensive
  - Ineffective staff
  - Lack of creativity
- (Give meaning, one advantage and one disadvantage)*

(c) Marketing Research:

Meaning: It refers to scientific and systematic investigation of all aspects of marketing. It helps in collecting information about the preference and taste of customers and their purchasing power.

Techniques / Sources: necessary information can be collected from trade journals, consumer organisations, government publications, wholesalers, retailers, etc.

Advantages:

- Estimating the potential demand for a product
- Testing of new products
- Finding new users of existing products
- Judging the competitive strength and brand image
- Measuring the effectiveness of distribution channels

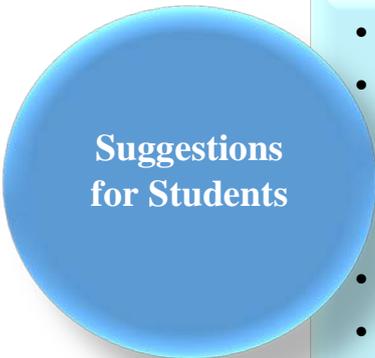
Disadvantages:

- Time consuming
- Expensive/costly
- Uncertainty

## GENERAL COMMENTS

Topics found  
difficult/  
confusing by  
candidates

- Question 1(vii): Span of Control.
- Question 1 (x) : Physical Distribution.
- Question 2 (b) : Political Environment.
- Question 2 (c) : Importance of Staffing.
- Question 3 (b) : Objectives of Communication.
- Question 3 (c) : Meaning and features of Advertising
- Question 5 (b) : Advantages of raising funds from Commercial Banks.
- Question 6 (b) : Demerits of Retained Earnings
- Question 7 (a) : Objectives of Publicity.
- Question 8 (a) : Features of Industrial Products.
- Question 9 (b) : Line and Staff Organisation.
- Question 9 (c) : Marketing Research.



## Suggestions for Students

- Concentrate in the class for better understanding of concepts.
- Keep abreast with the updates relating to the subject/topics.  
Note down the key points or underline the key words in the textbook.  
Understand meaning, features, merits, demerits, importance, and objectives of each term / concept.
- Practice questions based on case studies.
- Solve previous years' ISC question papers for better understanding of the topics.
- Avoid selective study.
- Instead of learning by rote, understand terms / concepts and express in your own words with appropriate key words.
- Manage your time well while answering Part I and Part II. Estimate the time required for attempting both short and long answer questions and for revising the answers.
- Practice by writing key words and headers of different topics.
- Revise the chapters again and again before examination.
- Read the question, understand, and then answer.
- Answer all subjective questions with side headings and explanations. Ensure that heading and explanation in an answer correlate with one another.