

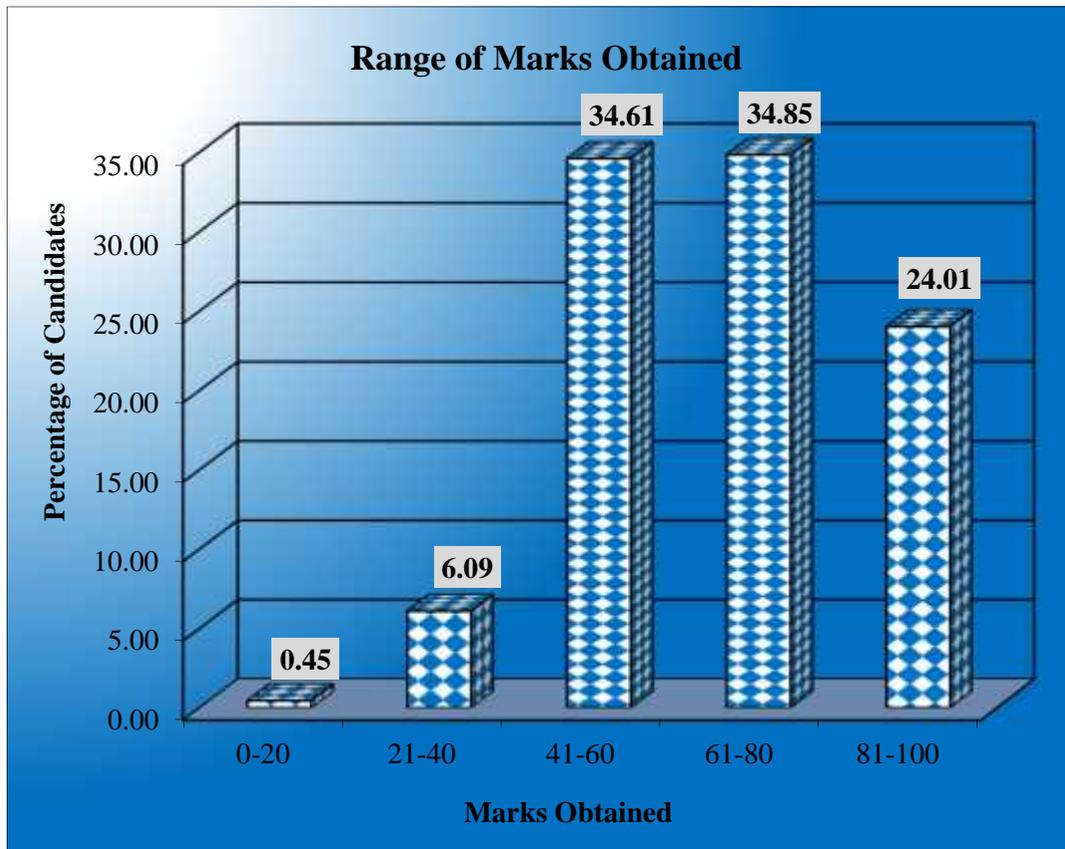
COMMERCE

STATISTICS AT A GLANCE

Total Number of students who took the examination	28,331
Highest Marks Obtained	100
Lowest Marks Obtained	2
Mean Marks Obtained	66.09

Percentage of Candidates according to marks obtained

Details	Mark Range				
	0-20	21-40	41-60	61-80	81-100
Number of Candidates	127	1725	9804	9872	6803
Percentage of Candidates	0.45	6.09	34.61	34.85	24.01
Cumulative Number	127	1852	11656	21528	28331
Cumulative Percentage	0.45	6.54	41.14	75.99	100.00



B. ANALYSIS OF PERFORMANCE

PART I (20 Marks)

Answer *all* questions.

Question 1

[10×2]

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

- (i) Enumerate the components of *macro* environment of a business concern.
- (ii) What is meant by *capital gearing ratio*?
- (iii) Explain the meaning of *gross working capital*.
- (iv) Distinguish between NEFT and RTGS.
- (v) Distinguish between *Unity of Direction* and *Unity of Command*.
- (vi) Explain the term *span of control*.
- (vii) What are the steps involved in the process of recruitment?
- (viii) What is meant by the term *place* in marketing mix?
- (ix) Explain *branding*.
- (x) What is mobile banking? State *any two* banking services available on mobile phone.

Comments of Examiners

- (i) Only two components of macro environment were given and explained in detail by many candidates. Some candidates wrote components of micro environment instead. Candidates also used words such as, technique/ technical/ economical /legally instead of technological/ economic/ legal environment, which resulted in a change in the context of the word.
- (ii) Many answers lacked conceptual clarity. In some cases, equity to debt ratio was substituted with words such as capital fund. The correct formula was not written by some candidates.
- (iii) The concept of working capital was explained in general by a number of candidates. Some candidates got confused between gross working capital and net working capital and gave an explanation of net working capital. Several candidates wrote that gross working capital is

Suggestions for teachers

- Stress upon use of correct terminology.
- Explain the difference between ‘capital fund’ and ‘equity fund’
- Working capital, gross working capital, and net working capital should be explained clearly. Also explain the difference between assets, fixed assets and current assets.
- Tell students that when differences are asked, expanding the abbreviations does not become a point of difference. Teach students the latest banking trends. They must also be trained to give the correct difference under the correct heading.

the book value of assets instead of writing that gross working capital is book value of current assets, while other candidates wrote that gross working capital is the amount invested in fixed assets/assets instead of current assets.

- (iv) Many candidates wrote the expanded forms of the abbreviations NEFT and RTGS as a point of difference. In several cases, the differences were not only given under the wrong headings but were also inaccurate and incorrect. Candidates did not seem to be aware of the latest banking trends.
- (v) Though majority of the candidates gave a correct explanation for 'unity of command', some could not explain 'unity of direction' correctly. Important key words such as, 'one head and one plan', were missing in many answers.
- (vi) The keyword 'number' of subordinates under one supervisor was missing in many answers; also instead of writing 'subordinates' some of the candidates wrote 'subordinate' and instead of writing 'manager' the candidates wrote 'managers', which changed the meaning of the answer.
- (vii) Instead of writing the steps involved in recruitment, some candidates wrote the steps involved in selection/ planning/controlling.
- (viii) The meaning of 'market' was given by several candidates instead of the element place in marketing mix. Many candidates defined 'place mix' as manufacturing producing place or as a function of exchange. In some cases, either 'channel of distribution' was written or 'distribution of products' was given, whereas, both formed an important part of the answer.
- (ix) The most common error made in this answer was that though most of the candidates gave the meaning of the word 'brand', they did not write its purpose i.e. product differentiation or inculcating brand loyalty.
- (x) This question was misunderstood and many candidates wrote about e-banking or net banking. Also, instead of writing the meaning of the word 'mobile', candidates used words like, 'land line' which is contrary to the word 'mobile'.

- Give oral and written practice to students in writing short answers so as to help them understand the methodology of answering a question.
- Stress upon the important keywords without which the answer is meaningless and incomplete. The principles of management and their relevance must be taught giving suitable examples.
- Recruitment and selection process must be explained clearly.
- Clarify the terms - market, marketing mix and elements of marketing mix.
- Discuss in class the latest banking trends and facilities available through mobiles with suitable examples.
- Ask students to read and understand the question before attempting it.

MARKING SCHEME

Question 1

- (i) The components of *macro* environment of a business concern:

- Economic environment
- Social environment
- Technological environment
- Political environment
- Legal environment

(any four points)

(ii) *Capital gearing ratio:*

The ratio between equity and debt (borrowed funds) is called capital gearing ratio / financial leverage. Two types of gearing are: High gearing / Trading on thin equity and Low gearing / Trading on thick equity.

High geared when borrowed capital > equity

(iii) Gross working capital means the total amount of funds invested in current assets / working assets / cash, stock of goods, debtors and short term investments.

OR

Gross Working Capital = Book value of current assets

(iv) NEFT and RTGS:

	NEFT	RTGS
1. Processing	NEFT transactions are settled in batches/NEFT is based on net settlement at specific times.	RTGS transactions are processed individually and continuously/RTGS is based on gross settlement
2. Minimum transaction value	No minimum value	Minimum value is Rs.2 lakhs
3. Number of transfers during the day	Six times on week days and three times on Saturday	No limit on the number of transfers during the day
4. Maximum value	If one does not have a bank account, the maximum amount that can be transferred is ₹49,999. In the case of an account holder, there is no minimum or maximum limit.	There is no upper ceiling for RTGS.
5. Area	Is used for national - NEFT can be used only for remitting Indian rupee among the participating banks within the country	For international/ national - Can be used to receive foreign remittances

(any two)

(v) *Unity of Direction and Unity of Command:*

	Unity of direction	Unity of command
1. Meaning	One head and one plan for a group of activities having the same objectives.	One employee must be accountable to only one supervisor/ head/ boss.
2. Relativeness	Relates to the organization as a whole.	Relates to the functioning of people

(Any one)

(vi) *Span of control* means:

Span of control means the number of subordinates/ employees/ workers who report directly to one Manager/ supervisor/ authority.

(vii) The steps involved in the process of recruitment are:

- Identification of sources of manpower
- Comparing the dependability of various sources
- Choosing the best source of manpower
- Calling applications for vacancies

OR

- Identifying the sources of supply of adequate number and right type of personnel.
- Publicizing information about job vacancies in the organization.
- Assessing alternative sources and choosing the best source.
- Contacting the chosen source or recruitment to secure applications.

(viii) *Place* in marketing mix:

Place is an element of marketing mix which refers to distribution of products and channels of distribution to make the product available to customers for purchase and consumption.

(ix) Branding:

Branding may be defined as the process of giving a distinctive brand name / symbol / mark/ logo/ sign to a product with the purpose of differentiating it from competitive products or inculcating brand loyalty.

(x) Mobile banking means banking transactions through mobile phone. Banking services available on Mobile phone are:

1. SMS Alert
2. Making payments
3. Making enquiries
4. Money transfer

(any two services)

PART II (60 Marks)

Answer any **five** questions.

Question 2

- (a) Explain *any three* features of business environment. [3]
- (b) Discuss in brief *any four* factors that affect the working capital requirement of a company. [4]
- (c) Explain *any five* rights of consumers as provided under the Consumer Protection Act, 1986. [5]

Comments of Examiners

- (a) In several cases, the features of business environment were confused with importance/benefits of business environment. Some candidate wrote features of marketing, while some wrote the dimensions of micro environment or elements such as, customer, competitor, suppliers, etc.
- (b) The most common error committed by candidates in this question was that they wrote the factors affecting the fixed capital requirement or the factors affecting financial planning or the factors affecting capital structure instead of the factors that affect the working capital requirement of a company, as asked.
- (c) Some candidates wrote about responsibilities of consumers, methods of consumer protection and the redressal machinery under the Consumer Protection Act 1986, instead of the rights of consumers. Several candidates misunderstood and wrote about illiteracy while writing about Right to Education. In a few cases, for the 'Right to be heard', candidates wrote about *hearing* instead of the how grievances of consumers can be heard.

Suggestions for teachers

- Explain to students the effect of changing business environment. Features and dimensions should be clearly distinguished.
- Ask students to utilize the reading time given, to understand the question before attempting it.
- Differences between the fixed capital and working capital must be highlighted. Flow charts and mind maps can be used to help students remember.

MARKING SCHEME

Question 2

- (a) Features of business environment:
- Totality of External Forces
 - General and Specific Forces
 - Interrelatedness
 - Complexity
 - Dynamic
 - Uncertainty
 - Relativity

(Any three with explanation)

(b) Factors that affect the working capital requirement of a company:

- Operational efficiency
- Nature of business
- Size of the enterprise
- Manufacturing cycle/ length of the operating cycle
- Terms of purchase and sales
- Turnover of working capital
- Business cycle
- Dividend policy
- Management attitude towards risk
- Rate of growth of business
- Seasonal variations
- Goodwill/ creditworthiness/ reputation

(any four with explanation)

(c) Rights of consumers as provided under the Consumer Protection Act, 1986.

- Right to safety
- Right to information
- Right to choice
- Right to be heard
- Right to seek redressal
- Right to education
- Right to healthy environment

(Any five with explanation)

Question 3

- (a) What is meant by *trade credit*? Mention *two* advantages of trade credit as a short term source of finance. [3]
- (b) Explain *any four* types of debentures through which a Public Limited Company can collect its borrowed capital from the public. [4]
- (c) What is *retained earning*? Explain *any two* of its merits and *two* of its demerits. [5]

Comments of Examiners

- (a) Instead of writing about trade credit, some candidates wrote about cash credit or they wrote that it is the discount allowed by the seller to the buyer; some others wrote about trade credit being short term loans given by financiers. The advantages of trade credit as a short term source of finance were not properly explained by many candidates.
- (b) Correct headings were given by many candidates but the explanation was either an expansion of the heading or was not correct, especially in the case of registered and bearer debentures, Also, in case of convertible debentures, several candidates forgot to write that convertible debentures are converted into equity shares.
- (c) In the explanation of retained earnings, not only is the word 'retaining' important, but also the word 'reinvesting', which many candidates did not include in the answer. The explanation given by some candidates was general, vague and inadequate.

Suggestions for teachers

- Trade credit, cash credit and customer advances are three different forms of short term finance. Trade credit must be explained from the business point of view.
- Instruct students to write complete sentences and not one word answers.
- Tell students that explanation does not mean expanding the heading. The meaning of each type of debenture must be made clear.
- The importance of keywords must be stressed upon. The type of answers required must be explained and shortcomings of answers given by candidates must be discussed in class.

MARKING SCHEME

Question 3

- (a) Trade credit:

Trade credit is the credit extended by one business firm to another as incidental to sale or purchase of goods and services. In other words, Trade Credit is the credit extended by sellers to buyers at all levels of production and distribution process down to the retailer.

Advantages of trade credit:

- Trade Credit is a very simple or convenient method of raising short term finance.
- No formalities are involved and the credit is readily available to reputed business firms.
- No interest is payable.
- No charge is created on company's assets.
- More economical.

(Meaning and any two advantages)

(b) Types of Debentures:

- Registered debentures
- Bearer debentures
- Redeemable debentures
- Irredeemable debentures
- Naked / unsecured debentures
- Mortgage debentures
- Convertible debentures
- Non-convertible debentures

(any four with brief explanation)

(c) Retained earnings:

Retained earnings refer to the process of retaining and reinvesting part of net profit in the business to expand the business and to meet the financial requirements.

Merits:

- Convenient
- Economical
- Increases the credit worthiness of the company
- No dilution of managerial power
- No charge on company's assets
- No burden on the company's profits.
- Can be used to redeem debts
- No dilution of voting rights
- Helps to increase capital formation which is necessary for rapid development of nations
- Can undertake plans for expansion irrespective of capital market conditions

Demerits:

- May lead to over capitalization
- Manipulate share prices
- Lop sided development of the industry
- May create monopoly.
- Lead to dissatisfaction among the present shareholders
- Unstable source since profits may not remain the same in future years

Question 4

- (a) Distinguish between *equity shares* and *preference shares*. [4]
- (b) Explain *any four* facilitating functions of marketing. [8]

Comments of Examiners

- (a) The basis of differentiation was not given by many candidates. As a result, they could not give clear, complete and accurate differences. Some candidates wrote the difference correctly but under wrong headings. Several candidates wrote the word '*interest*' as a return on shares and '*dividend*' as a return on debentures. In some cases, only one word was given as a difference, for example, under 'degree of risk', a few candidates wrote 'high' or 'low' which did not give the complete meaning.
- (b) The most common error made in this part was that instead of giving the facilitating functions of marketing, many candidates gave functions of exchange i.e. buying and selling or functions of physical supply that is, transportation and warehousing. In some cases, instead of facilitating functions, candidates wrote about marketing mix.

Suggestions for teachers

- Ask students to revise their answers and ensure that they have written the differences under correct headings. If the differences are written in a paragraph format, the points of differences must be clearly demarcated. The differences given must correlate to each other.
- Stress upon the use of correct terminology.
- The reading time must be utilized effectively. Classification and the basis of classification must be explained. Reference work is a must.

MARKING SCHEME

Question 4

(a)

Basis	Equity Shares	Preference Shares
1. Nominal value	Generally low	Generally high
2. Degree of risk	Very high risk because dividend is not fixed.	Comparatively low because of fixed rate of dividend
3. Right to dividend	After dividend paid to preference shares	Prior to dividend on equity shares
4. Refund of capital	Repayment after all other obligations are refunded	Prior to refund of equity capital.
5. Voting rights	Voting rights exists	Limited voting rights
6. Appeal	To the bold adventurous investors	To the cautious and conservative investors.
7. Redemption	Not redeemed during the life	Redeemable preference shares are redeemed

8.Convertibility	Shares of business cannot be converted to preference shares	Can be converted into equity shares
9.Arrears of dividend	Not paid	Arrears of Cumulative preference shares are paid dividend out of next year's profit.
10.Further issue of shares	Shareholders are entitled to issue of right shares and Bonus shares	Shareholders are not entitled to issue of right shares and bonus shares.
11. Rate of dividend	Varies with profit	Fixed

(any four)

(b) Facilitating functions of Marketing:

- Marketing research
- Product planning and development
- Standardization and grading
- Packing and packaging
- Branding and labelling
- Pricing
- Advertising and salesmanship
- Financing
- Risk taking

(any four points with proper explanation)

Question 5

- (a) Mention *three* remedies available to consumers under the Consumer Protection Act, 1986. [3]
- (b) Explain *any four* merits of borrowing funds from financial institutions. [4]
- (c) Explain *any five* ways of overcoming barriers to communication. [5]

Comments of Examiners

- (a) In this part, a number of candidates wrote about the redressal machinery instead of the remedies available to consumers under the Consumer Protection Act, 1986. Some other candidates wrote about rights or responsibilities of consumers.
- (b) Though a few candidates could give a correct answer to this question, the merits were not clear and some candidates made up their own points. Some candidates wrote about merits of various long term sources of finance like shares and debentures. Some candidates wrote about advantages of borrowing funds from a bank, instead of financial institutions, as required.
- (c) Many candidates did not seem to have conceptual knowledge about the ways of overcoming barriers to communication. Answers were vague, inadequate and incomplete. Some candidates wrote about barriers to communication instead of the ways to overcome barriers to communication. At times, points were overlapping or repetitive.

Suggestions for teachers

- Consumer rights, responsibilities, remedies and redressal machinery are different concepts and must be clearly explained. Practice should be given to students in various types of questions, so that students can attempt them without misunderstanding the question.
- The difference between banks and financial institutions must be explained and more oral and written practice must be given to the students.
- Different types of barriers to communication and ways to overcome them can be explained using suitable examples and case studies.

MARKING SCHEME

Question 5

- (a) Remedies available to consumers under the Consumer Protection Act, 1986:
- To remove the defects in goods or deficiency in service.
 - To replace the defective product with a new one, free from any defect.
 - To refund the price paid for the product or the charges for the services.
 - To pay a reasonable amount of compensation for any loss or injury suffered by the consumer due to the negligence of the opposite party.
 - To pay punitive damages in appropriate circumstances.
 - To discontinue the unfair / restrictive trade practices and not to repeat in future.
 - To cease manufacture of hazardous goods and to desist from offering hazardous services.

(any three)

- (b) Merits of borrowing funds from financial institutions:
- Both, risk/equity capital as well as loan capital is available.
 - Financial institutions provide under-writing facilities.
 - Benefits of trading on equity is available.
 - New companies which may find it difficult to raise finance from the public can get finance from these institutions.
 - Financial institutions provide finance for modernization and expansion of a business concern.
 - Loans and guarantee in foreign currency and deferred payment facilities are available for the import of required machinery and equipment.
 - The rate of interest is economical/low and repayment procedure is convenient.
 - Along with finance, a company can obtain expert advice and guidance for the successful planning and administration of projects.

(any four)

- (c) Ways of overcoming barriers to communication:

- Well drafted message with proper language
- Two way communication
- Sound organizational structure
- Consistency
- Empathetic listening
- Motivation
- Feedback
- Open door policy
- Gestures and tone

(any five to be explained)

Question 6

- (a) Explain *any three* internal factors of micro environment of a business organization. [3]
- (b) Explain the objectives of marketing. [4]
- (c) *Planning is beneficial to all.* In the light of this statement, discuss the importance of planning. [5]

Comments of Examiners

- (a) Though majority of the candidates answered this question correctly, a few misunderstood and wrote about the importance/ features/ external factors influencing the business organization. It was also noticed that in several cases, the candidates wrote correct headings but the explanation given under these headings was incorrect.
- (b) Instead of giving the objectives of marketing, importance or advantages of marketing were given by many candidates. Also, in several cases, while the headings were correct, the explanations given under these headings were vague, inaccurate and extremely generalized or incorrect.
- (c) Instead of writing the importance of planning, some candidates gave features/ steps/ functions of planning. Many candidates answered in a paragraph format with the points not clearly demarcated and well defined.

Suggestions for teachers

- Students must be trained in answering similar type of questions. Ask students to give a proper explanation for every heading.
- Use of flow charts and mind maps can help in clarifying concepts.
- The shortcomings of an answer should be discussed with students in class. Students must be told that if they are using the paragraph format, the points should be well defined and clearly stated. The points must not overlap.

MARKING SCHEME

Question 6

- (a) Internal factors of micro environment are:
- Corporate culture: The values, beliefs and attitudes of the founders and top management of the company.
 - Mission and objectives: The business philosophy and purpose of Company guides its priorities, business strategy, product market scope and development process.
 - Top management structure: the composition of the board of directors, the degree of professionalization of management and the organizational structure of a company have important bearing on its business decisions.
 - Power structure
 - Company image and brand equity
 - Human and other resources

(any three)

(b) Objectives of Marketing:

- Inducing customers to buy products
- Consumers' satisfaction
- Increasing sales volume
- Profitability
- Coordination and integration
- Improving standard of living of people
- Optimum utilization of business resources
- Service to society – welfare of the society, protection of environment
- Generating employment

(any four with brief explanation)

(c) Importance of planning:

- Focuses attention on objectives
- Makes activities meaningful
- Brings order in place of chaos
- Reduces risk of uncertainty
- Improves economy of operations
- Provides basis for control
- Promotes innovation and creativity
- Facilitates decision-making
- Helps in co-ordination
- Bridges gap between present and future

(Any five with explanation)

Question 7

- (a) Differentiate between *functional organization* and *divisional organization*. [3]
- (b) What is meant by *service*? Mention *three* features of service. [4]
- (c) *Coordination is the essence of management*. Explain. [5]

Comments of Examiners

- (a) This question was not attempted by a number of candidates and many of those who attempted it gave vague and inadequate explanations. Many candidates did not write the basis of differentiation which resulted in the differences not being clearly defined. Points were repeated by many candidates.
- (b) The keyword ‘intangible’ was missing in many of the answers. Some candidates misinterpreted the word ‘service’ as, being in employment and stated the features of employment instead. However, some candidates managed to write the features of service correctly.
- (c) While many candidates were able to explain the meaning of coordination, some failed to explain as to why coordination is considered to be the essence of management. Several candidates failed to relate every function of management to coordination and the fact that coordination is inherent in every function of management.

Suggestions for teachers

- Familiarize students with the functional and divisional forms of organization through examples and case studies so that they can bring out the differences between the two forms clearly.
- Give practice to students in writing out answers.
- Stress upon the important keywords in the topic.
- Coordination is inherent in every function of management which is why it is considered as the essence of management. This must be made clear while teaching the topic in the classroom

MARKING SCHEME			
Question 7			
(a)			
	Basis	Functional organization	Divisional organization
1.	Formation	Each major function of the organization is a separate department	Each major product line is a separate division
2.	Type of specialization	Functional specialization	Product specialization
3.	Organizational units	Functional departments and sections	Product divisions and sub-divisions
4.	Coordination	Difficult	Simple
5.	Cost	Economical	Expensive
6.	Responsibility for profits	Cannot be fixed on one department	Can be fixed on each division
7.	Development of general managers	Not possible	Possible

8.	Autonomy of operations	Less	More
9.	Control	Simple	Difficult
10.	When useful	For all types of firms	For firms having diversified product line.

(Any three)

(b) Meaning of Service:

Services are intangible products which cannot be seen and touched and the ownership of services cannot be transferred.

Features:

- Services are intangible
- Services are perishable
- Services are inseparable
- Services are variable

(brief explanation required)

(c) Coordination as the essence of Management:

Coordination is not a separate function but the very essence of management. The very purpose of management is to achieve harmony between individual efforts and accomplishment of group goals.

Or

It is because the very purpose of management is achievement of harmony between individual efforts towards the accomplishment of group goals. It is because the achievement of harmony between individual efforts towards the accomplishment of group goals is the very purpose of management. Coordination is inherent in all the functions of management.

Coordination is the result which can be achieved through the proper performance of managerial functions:

- In 'planning', coordination is required between the master plan of the enterprise and the plans of different departments or divisions. There should also be coordination between the objectives and the available resources.
- During 'organizing', there should be coordination between the authority and responsibility of every individual. Same work should not be assigned twice. Organization would be ineffective if there is lack of coordination between different departments and divisions.
- While 'staffing', coordination is achieved by balancing the skills and abilities of the employees with the jobs assigned to them.
- While 'directing', supervision, motivation and leadership are used to ensure harmonious working of the organization.
- During 'controlling', coordination is achieved by ensuring that actual results conform to plans as closely as possible.

Question 8

- (a) What is a *market*? Explain the meaning of *capital market* and *money market*. [3]
- (b) Differentiate between *traditional concept of marketing* and *modern concept of marketing*. [4]
- (c) What is meant by *indirect channels of distribution*? Explain the types of indirect channels of distribution. [5]

Comments of Examiners

- (a) A general definition of market was given by many candidates. In some cases, capital market and money market were not explained clearly. Majority of the candidates seemed to lack conceptual clarity. The sources from where funds are available were not explained by some candidates. A few candidates tried to link capital market and money market with fixed assets.
- (b) Only one or two differences were explained by many candidates. Some candidates gave differences in one word. In several cases, differences were given under wrong headings and certain points were also repeated.
- (c) Majority of the candidates answered this question correctly but some candidates ignored the concept of middleman and did not mention intermediaries which is an important part in indirect channel of distribution. Several candidates only gave one level of channel of distribution. A few candidates wrote about zero level which is not an indirect channel of distribution but a direct channel of distribution.

Suggestions for teachers

- Meaning of 'market' must be clarified. Capital and money market must be explained clearly and with examples.
- Students must be trained to write corresponding differences. Giving one-word answers as differences must be avoided. Students must also be cautioned against repetition of points.
- Stress upon the importance of understanding the question before attempting it. The word intermediary/middleman is very important and must be included in the answer for 'indirect channels of distribution' so as to differentiate it from a direct channel of distribution.

MARKING SCHEME

Question 8

- (a) *Market*: It is the sum total of the environment in which resources, activities and attitude of buyers and sellers affect the demand for products and services / a place where the buyer and seller meet either personally or virtually to affect the sale and purchase of products and services.

Capital Market: This is a specialized market for providing long term finance of business enterprise. It comprises specialized financial institutions, stock exchanges, investment trusts, insurance companies, etc.

Money market: This is a specialised market for providing short term finance to business enterprises. It consists of various types of banks.

(b)		Traditional concept of Marketing	Modern concept of Marketing
	1. Scope	It involves obtaining of orders from customers and delivering them the products.	Modern concept of marketing involves the design of the products acceptable to customers and transfer of ownership from the sellers to buyers.
	2. Orientation	It is selling oriented	It is customer oriented
	3. Beginning	It begins (selling) after the goods are purchased	Marketing begins before production in order to identify the wants of customers
	4. End	It ends with the sale of goods	Marketing continues after sales in order to provide after sales services and to judge customers response.
	5. Focus	Attention on sellers need of increasing sales volume	Attention on customers needs and satisfaction
	6. Goal	Short term goal of profit maximisation	Long term goals such as growth and stability
	7. Means of achieving goal	Maximising profit by increasing sales volume.	Marketing aim is earning profit through maximum customers satisfaction

(any four)

(c) *Indirect channels of distribution:*

When one or more intermediary is involved in the distribution network, it is referred to as indirect channel.

Types of indirect channels of distribution:

- Manufacturer – Retailer – Consumer (One level channel)
- Manufacturer – Wholesale – Retailer – Consumer (Two level channel)
- Manufacturer – Agent – Wholesaler – Retailer – Consumer (Three level channel)

(types with brief explanation)

Question 9

Write short notes on:

- (a) Motivation as an element of directing. [4]
- (b) Formal organization. [4]
- (c) Internal sources of recruitment. [4]

Comments of Examiners

- (a) Key words such as, 'desire, inducing people to work hard and achieve goals', which were an important part of the answer, were missing in many cases. The explanation given by several candidate did not synchronize with the heading given. Some candidates wrote Maslow's Theory of Hierarchy of Needs.
- (b) The answers given by the many candidates showed lack of in-depth study of the topic.
- (c) While the meaning was clearly brought out by most candidates, some candidates did not write the advantages and disadvantages of internal sources of recruitment, while a few ignored types of internal recruitment, that is, promotion and transfer.

Suggestions for teachers

- Give practice to students in writing short notes which should include the meaning, objective, advantages as well as disadvantages.
- Give regular assignments and provide feedback to students on the shortcomings of the answers written by them.

MARKING SCHEME

Question 9

- (a) *Motivation as an element of directing:*

One of the functions of management is to create the desire among the employees to perform their jobs to the best of their abilities. Inducing people to work hard for achieving common goals constitutes the motivation function of management. Motivation, may, therefore, be defined as the process of stimulating or inducing people to take the desired course of action.

Features:

- It is the act of inspiring employees to work hard to achieve the desired goals of the organization.
- It involves arousing needs and desires in people so as to initiate and direct their behaviour in a purposeful manner.
- The aim of motivation is to influence the behaviour of subordinates for better performance and achieving the desired results.
- Motivation is an ongoing process. Human needs are unlimited whereas the means to satisfy them are limited. As soon as one need is satisfied, another need arises. This process is continued from birth to death.
- Motivation produces goal directive behaviour. A motivated person works towards the achievement of the desired goals. Human needs influence behaviour in different ways.

- Motivation may be positive or negative. Positive motivation means inspiring people to work better and appreciating a work that is well done; in certain cases by offering rewards or promotions. Negative motivation means forcing people to work by threatening or punishing them.
- Motivation is a result of interplay among three groups of factors.
 - Influences operating within an individual
 - Influences operating within an organization
 - Forces operating in the external environment

Process of Motivation:

- Awareness of need
- Stimulus for action
- Fulfillment of need
- Discovery of new need

(b) Formal organization:

An organization's structure which is designed and established by management to achieve organizational goals is termed as formal organization. It is an official system of clearly defined activities and relationships which are intended to divide and integrate the activities of the organization.

Advantages:

- Fixation of responsibility is easy as relationship among the members is clearly defined.
- Clarity of roles helps in avoiding duplication of work.
- Unity of command is maintained through an established chain of commands.
- Effective accomplishment of goals by providing rules and procedures and by placing more emphasis on work.
- Stability in the organization, because behaviour of employees can be fairly predicted since there are specific rules to guide them.

Disadvantages:

- Delay in decision making: established chain of command and communication may lead to procedural delays.
- Lack of creative effort: rigid laid down policies may not provide adequate recognition to creative talent.

(c) Internal sources of recruitment:

Internal sources may refer to employing persons from within the organisation. The important internal sources of recruitment are as follows:

1. Promotion: it means shifting an employee to a higher post carrying higher salary, status and responsibility.

2. Transfer: It refers to shifting an employee to a similar job with no change in salary, status and responsibility.

Advantages:

1. Familiarity – the organization and employees are already familiar to each other
2. Economy – minimum cost is involved.
3. Motivational value – source of motivation and encouragement for employees
4. Better utilization of existing talent

Disadvantages:

1. Limited choice
2. Lack of competition
3. Conflicts among employees
4. Inbreeding – new talent and new blood available outside, does not enter the enterprise.
5. Incomplete source.

GENERAL COMMENTS:

(a) Topics found difficult by candidates in the Question Paper:

- Capital gearing ratio
- Unity of direction
- Motivation
- Span of control
- Functional and divisional organization
- Coordination as essence of management.
- Capital and money market

(b) Concepts in which candidates got confused:

- Facilitating functions with functions of exchange and functions of physical supply.
- Trade credit with cash credit
- Importance of planning with features and steps of planning
- Barriers of communication with ways to overcome barriers to communication.
- Direct with indirect channels of distribution.

(c) Suggestions for candidates:

- Make brief notes on the various Units with key words.
- To be regular and punctual and pay attention in the class.
- Revise all topics and do not resort to selective studies.

- Make collective notes from different text books.
- Complete the syllabus on time and leave enough time for revision.
- Improve general knowledge by reading financial pages of the newspapers and know the terms commonly used.
- On the day of the examination, devote the reading time to collecting your thoughts and selecting the questions to answer.
- Read the questions twice before you start answering them.
- Give answers that are in line with the requirements of the question.
- Avoid repetition of points in the answer.
- Write differences in a tabular form, making sure that the differences correlate with each other.
- Headings and explanation must co-relate with one another.
- Read your answers once you have finished the paper and correct the errors.