

ISC Class 12 Commerce Specimen Paper 1

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Maximum Marks: 80 | Time Allowed: Three hours | Reading Time: 15 minutes

Part I is compulsory. Attempt any five questions from Part II.

General Instructions

Write your answers on the separate answer paper provided. The first 15 minutes are for reading the paper, and you may not write during that time. Part I is compulsory and carries 20 marks. From Part II you must attempt any five of the seven questions, each of which carries 12 marks. Marks for each question, or part of a question, are shown in brackets. Where a question asks for a stated number of points, write that number and no more, since only the first points offered will be marked. All working for numerical questions must be shown, and every money figure must be written with its unit. No tables, charts or organisation charts are printed in this paper, and where a question asks for one you are expected to draw it yourself in pencil and label it. This written paper carries 80 of the 100 marks for the subject, the remaining 20 being for the project work.

PART I (20 Marks)

Attempt all parts of Question 1 and all parts of Question 2.

Question 1 [12]

Each part carries 1 mark. For the parts that offer four choices, write only the option you choose. For the rest, answer in a single sentence or give the single term asked for.

- (i) A sharp rise in the proportion of a country's people aged above sixty is a change in which dimension of the business environment?
 - (a) the political dimension (b) the demographic dimension
 - (c) the technological dimension (d) the legal dimension
- (ii) State one way in which liberalisation has widened the choice open to an Indian buyer.
- (iii) Distinguish, in one sentence, between an idea and an opportunity in the entrepreneurial process.
- (iv) The document a new venture prepares to set out its objects, its market, its way of working and its expected figures is called:
 - (a) a prospectus (b) a memorandum of association
 - (c) a business plan (d) a trial balance
- (v) The technique of Taylor under which a single worker takes his instructions from eight different specialists is called:
 - (a) functional foremanship (b) the differential piece rate
 - (c) motion study (d) standardisation
- (vi) Name the step of the staffing process in which the number and the kind of people a firm will need are worked out.
- (vii) A policy of skimming the price is most likely to be chosen by a firm that is:
 - (a) entering a crowded market with an ordinary article (b) launching a novel article on which it holds a technical lead
 - (c) clearing old stock before a change of model (d) selling a staple food grain
- (viii) State what a brand mark is, and give one example of the form it may take.
- (ix) The debenture holder of a company is:
 - (a) an owner who shares in the profit (b) a preference shareholder
 - (c) a promoter of the company (d) a creditor entitled to a fixed return

- (x) State what is meant by a public deposit as a source of finance for a company.
- (xi) Give one reason why an employer may prefer internal recruitment to external recruitment when filling a supervisor's post.
- (xii) A firm that cools and cleans the water it has drawn from a river before sending it back, although no law obliges it to do so, is acting on:
 - (a) the legal duty of a business (b) the economic duty of a business
 - (c) its social responsibility (d) its duty to have its accounts audited

Question 2 [8]

Each part carries 2 marks.

- (i) Give two points of difference between the micro environment and the macro environment of a firm. [2]
- (ii) Explain why planning is said to be pervasive, and state one limitation of planning. [2]
- (iii) A trader buys a consignment for Rs 2,40,000 and spends a further Rs 15,000 on carriage and Rs 9,000 on packing. He sells the whole consignment for Rs 3,00,000. Calculate his profit and the percentage of profit on cost, correct to two decimal places. [2]
- (iv) Distinguish between a cash credit and a bank overdraft as forms of short term borrowing. [2]

PART II (60 Marks)

Attempt any five questions from this Part. Each question carries 12 marks.

Question 3 [12]

- (a) Explain any four features that mark out the business environment of a firm. [4]
- (b) Vanshika runs a small press in a district town, printing wedding cards and school registers. Within two years of a cheap colour printer reaching every cyber cafe in the town her order book has halved. Name the dimension of the business environment that has worked against her, explain why it has had this effect, and suggest two steps by which she might recover her position. [4]
- (c) Explain what is meant by privatisation and what is meant by globalisation. State one gain and one loss that the opening up of the Indian economy has brought to a small domestic manufacturer. [4]

Question 4 [12]

- (a) Explain any four reasons why entrepreneurship matters to the economy of a country. [4]
- (b) Set out, in their proper order, the stages through which an entrepreneur passes from the first thought of a venture to the day it opens, and explain any two of those stages. [4]
- (c) Nehal wishes to set up a small unit that turns banana fibre into handmade paper. He has Rs 4,00,000 of his own and needs about Rs 12,00,000 in all. Name three further sources from which he might raise the balance, and for each state one condition that comes attached to it. [4]

Question 5 [12]

- (a) Explain any four characteristics of management. [4]
- (b) Explain Fayol's principle of esprit de corps and his principle of order, and give one example of each at work in a factory. [4]
- (c) Distinguish between formal and informal organisation on any four counts. [4]

Question 6 [12]

- (a) Distinguish between marketing and selling on any four counts. [4]
- (b) Explain any four functions that the packaging of a branded consumer article performs. [4]
- (c) A firm has launched a ready to eat millet porridge sold in single serve sachets. Explain which two elements of the promotion mix you would advise it to lean upon at the launch, giving a reason for each, and name two further elements it might take up once the article is established. [4]

Question 7 [12]

- (a) Distinguish between owned capital and borrowed capital on any four counts. [4]
- (b) Explain the meaning of the primary market and of the secondary market, and explain any two functions a stock exchange performs. [4]
- (c) Nitya needs Rs 6,00,000 for her trading firm and has three offers before her: a term loan from her bank repayable over five years, a sum from a relative who wants a share of the profit in return, and the retention of her own profit over the next three years. Explain one merit and one drawback of each, and state which you would advise if she needs the money within a month, with a reason. [4]

Question 8 [12]

- (a) Explain the difference between recruitment and selection, and state two sources of external recruitment. [4]
- (b) Explain any four purposes served by the appraisal of an employee's performance. [4]
- (c) Explain any three benefits a firm gains by training its employees, and name and describe one method by which a new shop assistant may be trained. [4]

Question 9 [12]

- (a) Explain any four reasons why a firm should carry on its trade along ethical lines. [4]
- (b) A wholesaler sells a consignment of edible oil which he knows to be close to its use by date to a retailer in a distant town, saying nothing about the matter. Explain the ethical duties he has failed in, and state two consequences the practice may bring upon his own trade. [4]
- (c) Explain any four areas in which a manufacturing company may discharge its social responsibility, naming in each case the group of people served. [4]

ANSWER KEY AND MARKING SCHEME

Full working is given for every numerical answer. Marks shown in italics are the step marks an examiner would award. No mark is deducted for a wrong option in Question 1. Where a question asks for a number of points, award the marks for the first points offered up to that number, and accept any other correct point of the same weight. Accept a correctly drawn and labelled chart in any reasonable style. In the questions set in a particular firm's circumstances, the marks for application are to be awarded only where the answer uses the facts given and not merely the textbook rule.

Question 1 [12]

- (i) (b) the demographic dimension. The age composition of a population is a demographic matter, and a shift of this kind alters both the size of the market and the sort of goods and services that will be wanted, from health care to housing of a different design.

Correct option 1.

- (ii) Liberalisation did away with much of the industrial licensing that had limited the number of firms permitted to make a given article, and it eased the entry of goods from abroad. More firms therefore compete for the same buyer, so he now finds a wider range of brands, qualities and prices before him, and he is served better because a firm that disappoints him loses him to a rival.

One correct effect, traced to the removal of controls 1.

- (iii) An idea is any thought about something that might be made or sold, while an opportunity is an idea for which a paying demand can actually be shown to exist and which the entrepreneur has the means and the skill to serve at a profit.

Correct distinction, the test of a paying demand being the key 1.

- (iv) (c) a business plan. The prospectus is a document inviting the public to subscribe to the securities of a company, and the memorandum of association is the charter that states the objects of a company already registered.

Correct option 1.

- (v) (a) functional foremanship. Taylor replaced the single all purpose foreman by eight specialists, four on the planning side and four on the shop floor, each dealing with one aspect of the worker's task.

Correct option 1.

- (vi) Estimating manpower requirements. The work to be done is analysed first, and from that analysis the number of people needed and the qualifications and skills each post calls for are worked out.

Step correctly named 1.

- (vii) (b) launching a novel article on which it holds a technical lead. Skimming sets a high price at the start so as to recover the cost of development from the buyers who are least sensitive to price, and it can be held only so long as no close substitute is on the market.

Correct option 1.

- (viii) A brand mark is that part of a brand which can be seen but cannot be spoken, such as a symbol, a device, a distinctive piece of lettering or a particular colour. The leaping animal stamped on a pair of sports shoes is an example.

Definition with an example of the right kind 1.

- (ix) (d) a creditor entitled to a fixed return. A debenture is an acknowledgment of debt. Its holder lends to the company, is paid interest whether the company earns a profit or not, has no vote at a general meeting and ranks before the shareholders if the company is wound up.

Correct option 1.

- (x) A public deposit is money accepted by a company straight from the public, and from its own members and employees, for a fixed term against a deposit receipt and at an agreed rate of interest. It is unsecured, it needs no charge on the assets of the company, and it is governed by the rules the Companies Act lays down for such deposits.

Correct description, the unsecured fixed term nature being the point 1.

- (xi) The firm already knows the man's work, his conduct and his dealings with others, so the risk of a wrong choice is far smaller than with an outsider whose record it must take on trust. The promotion also shows the rest of the staff that good work is rewarded, and the man himself needs no introduction to the ways of the firm.

One sound reason 1.

- (xii) (c) its social responsibility. The act is voluntary, since nothing in law compels it, and it is undertaken for the benefit of people outside the firm who are affected by what the firm does.

Correct option 1.

Question 2 [8]

- (i) First, the micro environment is made up of those parties with whom the firm deals directly, its suppliers, its customers, its competitors, its intermediaries and the public immediately around it, while the macro environment is made up of the broad forces of the economy, of society, of politics, of law and of technology which act upon the whole of trade. Second, the firm has some influence over its micro environment, since it can change a supplier, win a customer away from a rival or alter the terms it offers a dealer, whereas the macro environment acts on it from outside and can at best be anticipated, not altered.

First point of difference 1. Second point of difference 1.

- (ii) Planning is pervasive because it is required at every level of the organisation and in every department of it, not merely at the top. The board plans the direction of the whole firm, the departmental head plans the output of his department for the quarter and the foreman plans the work of his shift for the day, so that the nature of the planning differs from level to level while the activity itself is common to all. One limitation is that planning rests on forecasts of what is to come, and if those forecasts prove wrong the plan built upon them fails, however carefully it was drawn.

Pervasiveness explained across levels or departments 1. One sound limitation 1.

- (iii) Total cost = 2,40,000 + 15,000 + 9,000 = Rs 2,64,000. Profit = 3,00,000 – 2,64,000 = Rs 36,000. Percentage of profit on cost = $(36,000/2,64,000) \times 100 = 13.64$ per cent.

Total cost Rs 2,64,000 and profit Rs 36,000 1. Percentage on cost 13.64 per cent 1.

- (iv) A cash credit is a running account opened against a limit sanctioned on the security of the borrower's stock and book debts. The borrower draws and repays as he pleases within that limit, the limit itself is reviewed against the value of the security held and interest is charged only on the amount actually drawn. An overdraft is the facility of drawing beyond the credit balance in a current account that the customer already keeps. It is usually sanctioned for a smaller sum, often against a personal guarantee or a deposit rather than against stock, and it is meant for a short and occasional shortfall rather than for the regular working needs of a trade.

Cash credit correctly described 1. Overdraft correctly described and contrasted 1.

Question 3 [12]

- (a) First, the business environment is the sum of all the forces outside the firm, so it includes the economic, the social, the political, the legal and the technological alike, and no single one of them is the whole of it. Second, it is dynamic, in that those forces keep changing, sometimes slowly as with a shift in tastes and sometimes at a stroke as with a new statute. Third, it is uncertain, since the direction and the size of the change can seldom be foretold with confidence, which is why forecasts go wrong. Fourth, it is relative, for the same surroundings mean different things to different firms. A long spell of rain is a misfortune to a brick maker and a blessing to a seller of umbrellas. A fifth feature, equally acceptable, is that the forces are interrelated, so that a change in one, such as a rise in incomes, works its way through to others, such as the pattern of demand.

Four features, 1 mark each, each named and briefly explained 4.

- (b) The dimension that has worked against her is the technological environment. Colour printing of an acceptable quality has become cheap enough for every small cyber cafe to offer it, so the equipment that once gave her press its advantage no longer does, the barrier to entering her trade has fallen and work that used to come to her is now done at the counter next door. Two steps open to her are, first, to move her press up the trade into work that the cheap machine cannot do, such as embossed and foil stamped cards, bound registers and large volume ruled stationery for schools and offices, where finishing and binding matter more than printing, and second, to take the new technology up herself, buying or hiring the better equipment and adding a design

service, so that she sells the customer a finished design rather than the mere act of printing. A third acceptable step is to tie the schools of the district to her by an annual contract for their registers and forms.

Technological environment correctly identified 1. Why the change has halved her orders, in terms of the facts given 1. Two sensible steps, each tied to her circumstances, 1 mark each 2.

- (c) Privatisation means reducing the part played by the state in business and widening that of private enterprise. It is done either by selling off the whole or a part of the shareholding the state holds in an undertaking, which is disinvestment, or by throwing open to private firms a field that had been reserved for the public sector. Globalisation means the knitting together of the economy of a country with the economies of the rest of the world, so that goods, services, capital, technology and people move across its borders with far less hindrance than before, and a firm in one country comes to treat the world rather than its own country as its market and its source of supply. A gain to the small domestic manufacturer is that he can now buy machinery, components and raw material from wherever they are cheapest or best, and he can sell abroad himself, directly or through an exporter, which was once beyond him. A loss is that he must stand up to imported goods and to the Indian plants of large foreign firms, which command better technology, longer purses and known brand names, so his margins are squeezed and he may lose his market altogether unless he improves.

Privatisation explained 1. Globalisation explained 1. One gain 1. One loss 1.

Question 4 [12]

- (a) First, entrepreneurship creates employment. The entrepreneur does not look for a job but makes jobs, for himself and for others, which matters greatly in a country where the number seeking work grows faster than the number of posts in government and in large firms. Second, it puts idle resources to use, drawing in local raw material, local savings and local skill that would otherwise lie unemployed, and converting them into saleable goods, so national output and national income rise. Third, it spreads industry away from the few large cities, since a small unit can be set up in a district town, and with it come incomes, ancillary trades and a slowing of migration. Fourth, it is the channel through which new goods and new methods reach the market, for the entrepreneur bears the risk of trying what is untested, and the economy gains in productivity by it. A fifth acceptable point is that successful ventures widen the tax base and bring in foreign exchange when they export.

Four reasons, 1 mark each, each named and briefly explained 4.

- (b) The order is: discovery of the idea; screening of the idea and the choice of one opportunity; a study of whether the opportunity will answer, under its market, technical and financial heads; the drawing up of the business plan; the arranging of the finance and of the other resources, including the premises, the plant and the people; the completion of the legal formalities, that is the choice and the registration of the form of organisation and the taking out of such licences as the trade requires; and the setting up of the unit and the start of operations. Of these, the study of whether the opportunity will answer means putting the idea to three separate tests before any money is committed: whether enough buyers exist at a price they will pay, whether the article can actually be made with the machinery and the skill that can be had, and whether the money needed can be raised and repaid out of the earnings expected. The business plan then sets all this down in writing, stating the objects of the venture, the market it will serve, the way it will produce and sell, the people who will run it and the expected figures of cost, revenue and cash, so that the entrepreneur has a map to work to and the lender or investor has something on which to judge him.

Stages set out in a correct order 2. First chosen stage explained 1. Second chosen stage explained 1.

- (c) First, a term loan from a bank or from a development agency, which will meet a part of the cost of the machinery and the shed. The condition attached is that the bank will lend only a proportion of the cost and will require Nehal to bring in the rest himself as margin, it will take a charge on the assets bought, and the loan must be repaid in fixed instalments with interest whether the unit earns a profit that month or not. Second, a subsidy or a loan under a government scheme for small and village industries, for which a unit using an agricultural waste such as banana fibre is a likely candidate. The condition is that the unit must be registered and must fall within the limits of investment the scheme lays down, the money is released against bills and inspections, and it must be spent on the purposes named in the sanction. Third, finance from relatives and friends, taken either as a loan or as a share in the firm. The condition, if it is taken as a share, is that Nehal

must part with a portion of the profit and of the control of the venture, and if it is taken as a loan, that it is usually repayable at call, which makes it unsafe money to sink into machinery. A fourth acceptable source is hire purchase or a lease of the plant, the condition being that the ownership stays with the financier until the last instalment is paid.

Three sources named, 1 mark each, with a correct condition attached to each 3. Suitability to a small unit of this kind shown in the answer 1.

Question 5 [12]

- (a) First, management is a goal directed activity. It exists to achieve the ends the organisation has set itself, and it is judged by whether those ends are reached and at what cost. Second, it is all pervasive, being needed in every organisation, whether it makes goods or renders a service, whether it is a company, a school or a government department, and at every level within each. Third, it is multidimensional, for the manager manages work, he manages people and he manages operations, and he cannot do one of the three without the others. Fourth, it is a continuous process. The functions of planning, organising, staffing, directing and controlling are not performed once and finished with but run on together and repeat themselves, the control of one period becoming the planning of the next. A fifth acceptable point is that management is intangible, being felt in the order and the results of the firm rather than seen, and a sixth that it is a group activity, since the organisation is made up of people whose separate efforts must be brought together.

Four characteristics, 1 mark each, each named and briefly explained 4.

- (b) Esprit de corps means team spirit. Fayol held that the manager must build in his people the sense that they belong to one body with one purpose, so that they pull together and speak of the work as theirs, and that he must guard against anything that divides them, such as favouritism or the carrying of complaints behind a colleague's back. In a factory it shows itself when the maintenance fitters and the machine operators treat a breakdown as a common problem to be got over rather than each blaming the other, which happens where the manager has made both answerable for the output of the line and has praised them together for it. Order means a place for everything and everything in its place, applied both to things and to people. Materials, tools and records must be kept where they can be found, and each man must have a fixed post at which he is to be found and a fixed set of duties. In a factory it shows itself in a stores where every bin is numbered and indexed, so that a fitter who wants a particular bearing goes straight to it instead of searching the racks and keeping the line idle while he does so.

Esprit de corps explained 1. Example of esprit de corps in a factory 1. Order explained for both material and people 1. Example of order in a factory 1.

- (c) First, as to origin, formal organisation is deliberately created by the management, which lays down the posts, the duties and the lines of authority, while informal organisation arises of itself out of the social dealings of the people at work and is created by nobody. Second, as to purpose, the formal structure exists to get the work of the firm done, while the informal grouping exists to satisfy the wish of its members for company, for standing among their fellows and for news. Third, as to its expression, the formal structure is set down in writing, in charts, in manuals and in orders, and can be seen, while the informal structure is nowhere written down and must be inferred from who talks to whom. Fourth, as to the flow of communication, the formal structure requires messages to pass along the recognised chain from one level to the next, which is accurate but slow, whereas the informal structure carries news quickly in any direction and across departments, but carries rumour with equal speed. A fifth acceptable count is that authority in the formal structure attaches to the post, while influence in the informal structure attaches to the person and does not move when he is transferred.

Four counts of difference, 1 mark each, each stated for both kinds of organisation 4.

Question 6 [12]

- (a) First, as to what each begins with, marketing begins with the buyer and asks what he wants before anything is made, while selling begins with the article that has already been made and asks how it may be disposed of. Second, as to scope, marketing covers the whole range of activity from the study of the market, the design of the article, its packing, its pricing and its distribution to the service given after the sale, whereas selling is only one part of that range, the part that transfers the goods to the buyer. Third, as to the aim, marketing aims at the lasting satisfaction of the buyer, so that he returns and brings others, while selling aims at the completion

of the present transaction and at the volume and the profit on it. Fourth, as to the direction of the effort, marketing tries to fit the article to the buyer, altering the product, the pack or the price to suit him, while selling tries to fit the buyer to the article by persuasion and pressure. A fifth acceptable count is that in marketing the profit is sought through buyer satisfaction over a long period, while in selling it is sought through the volume of sales in the present period.

Four counts of difference, 1 mark each, each stated for both marketing and selling 4.

- (b) First, packaging protects the contents. It keeps out moisture, dust, light and insects, it saves the article from being crushed or broken in carriage and handling, and in the case of a food article it preserves it until it reaches the buyer. Second, it makes the article easy to handle, to stack, to carry home and to store, and by dividing a bulk into convenient quantities it lets the buyer purchase as little or as much as he wants. Third, it identifies and promotes. The shape, the colour and the printing on the pack carry the brand name and the brand mark, they make the article stand out on a crowded shelf and, in a self service shop where no salesman speaks for it, the pack is the only salesman the firm has. Fourth, it carries the information the buyer and the law both require: the contents, the net weight, the directions for use, the warnings and the date up to which the article should be used. A fifth acceptable function is that a well designed pack lets the firm charge more for the same contents, since the buyer values the convenience and the appearance of it.

Four functions, 1 mark each, each named and briefly explained 4.

- (c) At the launch the firm should lean, first, on advertising, and second, on sales promotion. Advertising is right because the porridge is bought by very many buyers each spending a small sum, so the firm must reach a large and scattered public cheaply, and it has two things to tell them which they do not yet know, that the article exists and that millet in a convenient form will answer at breakfast. The cost of reaching one household by an advertisement is a small fraction of the cost of reaching it by a salesman. Sales promotion is right because the buyer has never tasted the article and will not spend on a whole pack to find out whether he likes it, so a free sachet given with another purchase, an introductory pack at a reduced price or a sampling counter at the shop meets the exact difficulty of the launch, which is to get the first mouthful tasted. Two further elements it might take up once the article is established are personal selling, in the form of a sales force calling on wholesalers and the larger retailers to secure shelf space and to push the bigger packs, and publicity, by getting the article written about on the health and food pages, which costs nothing and is believed more readily than an advertisement. Public relations work, such as association with a school breakfast programme, is also acceptable as the fourth element.

Advertising chosen with a reason drawn from the nature of the article 1. Sales promotion chosen with a reason that meets the difficulty of a launch 1. One further element correctly named with its use 1. A second further element correctly named with its use 1.

Question 7 [12]

- (a) First, as to the right it confers, owned capital makes its provider an owner of the firm with a vote in its affairs, while borrowed capital makes its provider a creditor with no voice in the running of it. Second, as to the return, owned capital carries no fixed return, the equity shareholder receiving a dividend only if there is a profit and only as much as is declared, whereas borrowed capital carries interest at an agreed rate which must be paid whether there is a profit or not. Third, as to repayment, owned capital is not returned during the life of the firm and is repaid only on winding up, after all outside claims have been met, while borrowed capital is repaid on the date agreed and ranks before the owners. Fourth, as to security, owned capital needs no security, whereas a lender generally requires a charge on the assets of the firm and may demand a personal guarantee besides. A fifth acceptable count is that interest on borrowed capital is a charge against profit while a dividend is an appropriation of it.

Four counts of difference, 1 mark each, each stated for both kinds of capital 4.

- (b) The primary market, also called the new issue market, is the market in which a company raises fresh capital by issuing its securities for the first time, whether to the public, to its existing shareholders by a rights issue or to selected institutions by a private placement. The money paid by the subscriber goes to the company itself, and the dealing is between the company and the investor. The secondary market is the market in which securities already issued change hands between one investor and another. The company gets nothing from

such a dealing, since the money passes from the buyer to the selling investor, and the function of the market is to give the holder of a security a place to turn it into cash. Two functions of a stock exchange are, first, that it gives securities a ready market and so makes them liquid, which is what persuades an investor to subscribe to a new issue at all, since he knows he need not hold it to the end, and second, that by the continuous bargaining of many buyers and sellers it fixes and publishes a price for each security, which tells the investor what his holding is worth and tells the company how its standing is judged. A third acceptable function is that it directs savings towards the companies that use them best, since a company whose record is good can raise money on better terms.

Primary market explained, with the money going to the company 1. Secondary market explained, with the money going to the selling investor 1. First function of a stock exchange 1. Second function of a stock exchange 1.

- (c) The bank term loan is the cheapest of the three in what it takes out of the business, since Nitya pays interest only and keeps the whole of the profit and the whole of the control. Its drawback is that the instalments and the interest fall due whether the trade has been good that month or not, the bank will want security and a margin from her own funds, and the sanctioning takes time. The sum from the relative costs her nothing while the firm earns little, since he is paid out of profit and shares the loss of a bad year, which makes it the safest money of the three. Its drawback is that she must give away a part of the profit for as long as he stays in, and with a share in the profit will come a voice in decisions she has until now taken alone, which is a high price for a sum of this size. Retained profit costs nothing at all, carries no interest, needs no security and dilutes neither profit nor control. Its drawback is that it is slow, since three years must pass before the whole Rs 6,00,000 is gathered, and the profit so retained is not available to her for her own use meanwhile. If the money is needed within a month the retained profit is ruled out at once, because it does not yet exist, and the bank loan is unlikely to be sanctioned, documented and disbursed in the time. She should therefore take the sum from the relative, settling in writing beforehand the share of profit he is to have, the matters on which his agreement will be needed and the terms on which she may buy him out later, and she may then replace him from retained profit or from a bank loan once the pressure of time has passed.

One merit and one drawback of each of the three sources, 1 mark for each source correctly treated 3. A reasoned choice that meets the one month constraint 1.

Question 8 [12]

- (a) Recruitment is the process of searching out those who might fill a vacancy and persuading them to apply, so that the firm has a pool of candidates before it. It is a positive process, since its aim is to attract as many suitable applicants as can be had, and it precedes selection. Selection is the process of sifting that pool and choosing the one candidate best fitted to the post, which it does by tests, interviews and the checking of references. It is a negative process, since at every step it rejects, and it ends with the offer of appointment. Two sources of external recruitment are advertisement in the newspapers and on the job portals, and placement agencies or employment exchanges. Campus recruitment at colleges and institutes, direct recruitment at the factory gate and recommendations by the firm's own employees are equally acceptable.

Recruitment correctly explained as the positive attracting process 1. Selection correctly explained as the negative choosing process 1. Two sources of external recruitment, 1 mark each 2.

- (b) First, appraisal tells the firm how far each employee has in fact come up to the standard set for his post, which is the information on which pay rises, bonuses and incentive payments can be decided on some ground other than the manager's impression. Second, it shows who is fit to be promoted and who should be transferred to work that suits him better, so that the firm's own people can be used to fill its higher posts. Third, it brings to light what the employee cannot yet do, and the pattern of such findings across a department shows where training is needed and of what kind, so the training budget is spent where it will tell. Fourth, it gives the employee feedback. In the interview that follows the appraisal he learns where he stands and what is expected of him next, which is itself a spur, and the discussion lets him put his own difficulties to his superior. A fifth acceptable purpose is that a recorded appraisal gives the firm a defensible ground for a demotion or a discharge, and a sixth that it tests the firm's own selection and placement, since a run of poor appraisals among new recruits points to a fault in the hiring.

Four purposes, 1 mark each, each named and briefly explained 4.

- (c) First, training raises output and improves quality, because the trained worker uses the right method, wastes less material, damages fewer articles and needs to be shown things less often. Second, it reduces accidents and the loss of machinery, since most mishaps in a workplace come of handling a machine or a material in a way the worker was never properly taught. Third, it reduces the burden of supervision and of inspection, for a man who knows his work can be left with it, which frees his superior for other duties. Fourth, it keeps employees with the firm, because training is itself a benefit the employee values, it opens the way to promotion within the firm and it makes him feel that the firm has invested in him, so the rate at which trained staff leave falls, and with it the cost of replacing them. A fifth acceptable benefit is that a trained workforce lets the firm take up new machinery and new lines quickly. A new shop assistant may be trained by the apprenticeship or understudy method, working for a period alongside an experienced assistant who shows him the stock, the till and the handling of customers before he is left to serve on his own.

Any three of the four benefits, named and briefly explained, 1 mark each 3. A suitable method of training a shop assistant, correctly named and described 1.

Question 9 [12]

- (a) First, ethical dealing holds a firm's customers. Trade rests on repeated transactions, and a buyer who finds the weight short or the quality below what was promised does not come back and tells others, so the gain made once is paid for many times over. Second, it keeps the firm out of trouble with the law, since much of what is unethical, such as adulteration, a false weight or a misleading claim, is also an offence, and the penalty, the seizure of stock and the time lost in proceedings cost far more than the practice earned. Third, it secures the goodwill and the credit of the firm, for a house known to meet its bills and to honour its contracts is given better terms by its suppliers and its bankers than one that is not, and goodwill of this kind is an asset that outlives the men who built it. Fourth, it keeps the staff. People do not care to work for a firm whose dealings they are ashamed of, and a firm that cheats its customers is soon suspected by its own employees of being ready to cheat them, so the good men leave and those who stay feel free to be dishonest in their turn. A fifth acceptable reason is that a business draws its resources from society and owes it fair dealing in return.

Four reasons, 1 mark each, each named and briefly explained 4.

- (b) He has failed, first, in the duty of disclosure. He knows a material fact about the goods, that their remaining life is short, and he withholds it, so the retailer agrees to a price and to a quantity he would not have agreed to had he known. The concealment of a material fact is as much a deception as a false statement. Second, he has failed in the duty of honest dealing in the quality of what he supplies, since an edible oil near its use by date is not the same article as fresh stock and should not have been passed off, at the price of fresh stock, as though it were. Third, he has shown a disregard for the safety of the final consumer, who is the person who will actually eat the oil and who has no means at all of knowing how it was bought and sold. Choosing a retailer in a distant town, where complaint and return are difficult, aggravates all three. Two consequences for his own trade are, first, that the retailer will discover the matter as soon as the stock begins to turn or the customers complain, will refuse payment or demand a return and will not deal with him again, and second, that word of the transaction will travel among the retailers and the commission agents of that market, which is a small circle, so he will lose other customers he has not even dealt with, and the trust on which a wholesaler's credit rests will go with them.

Two or more ethical duties correctly identified and explained with reference to the facts 2. First consequence, drawn from the facts 1. Second consequence, drawn from the facts 1.

- (c) First, towards its employees, by paying a fair wage on time, providing safe machinery, drinking water, lighting and sanitation, insuring them against accident, training them and settling their grievances through a known procedure rather than by dismissal. Second, towards its consumers, by supplying goods of the quality and the quantity promised at a reasonable price, labelling them honestly, advertising them without exaggeration, keeping spares and service available and attending to complaints. Third, towards its shareholders and other investors, by using the capital entrusted to it with care, keeping proper accounts, disclosing the true state of the business and paying a reasonable return rather than concealing the earnings or risking the money in ventures outside the objects of the company. Fourth, towards the community and the natural surroundings, by treating its effluent and its smoke before releasing them, keeping its noise and its dust within limits, drawing no

more water than the locality can spare, giving preference to local people in employment and contributing to the schools, the roads and the health services of the place in which it works. Government is an acceptable fifth group, the responsibility being to pay the dues levied on it in full and on time, to observe the licensing and labour laws and to furnish truthful returns.

Four areas, each with the group of people served correctly named and the responsibility explained, 1 mark each 4.