# ISC Board EXAMINATION COMMERCE

# Solved Paper-2023 Class-12<sup>th</sup>

	Maximum Marks: 80		
	Time allowed: Three hours		
	Candidates are allowed additional 15 minutes for only reading the paper.		
	They must NOT start writing during this time.		
	Answer all questions in <b>Section A, Section B</b> and <b>Section C</b> .		
	Section A consists of objective / very short answer questions.		
	Section B consists of short answer questions.		
	Section C consists of long answer questions.		
	The intended marks for questions or parts of questions are given in brackets [].		
	SECTION A — 16 MARKS		
Question			
(i)	The type of plan considered as a guide to decision making in repetitive situations is called: [1]		
	(a) Policy. (b) Rule.		
	(c) Programme. (d) Strategy.		
(ii)	ABC company plans to capitalise its undistributed profits. Which one of the following shares will the company		
	issue to its existing shareholders? [1]		
	<ul><li>(a) Rights Shares</li><li>(b) ESOP</li><li>(c) Sweat Equity Shares</li><li>(d) Bonus Shares</li></ul>		
(;;;)	(c) Sweat Equity Shares (d) Bonus Shares  When XYZ company acquired a toy manufacturing company, it paid a large amount for the goodwill. Which		
(111)	source of business funds of XYZ company was impacted? [1]		
	(a) Fixed capital. (b) Special Working capital.		
	(c) Circulating capital. (d) Gross Working capital.		
(iv)	Rita wants to transfer her first salary to her mother's bank account through RTGS. What is the minimum		
amount that she can transfer through RTGS?			
	(a) $\neq 50,000$ (b) $\neq 2,00,000$		
	(c) $\neq 1,00,000$ (d) $\neq 20,000$		
(v)	Which one of the following is NOT a component of the legal environment? [1]		
	(a) Acts passed by the government. (b) Political stability in the country.		
(:)	(c) Decisions taken by various commissions. (d) Verdict given by the court.		
(VI)	The changes in technology and the tastes and preferences of consumers cannot be predicted. Which feature of business environment is highlighted here? [1]		
	(a) Non-controllable (b) General and Specific forces		
	(c) Interrelatedness (d) Uncertainty		
(vii	State whether the following are True or False. [4]		
•	(a) When Equity Shares dominate the capital structure, the capital is considered as high geared.		
	(b) The organisational structure and the composition of the board of directors, are one of the internal factors		
	of micro environment of a business organisation.		
	(c) A market where products are transferred immediately from seller to buyer is called a future market.		
	(d) Inventory control is not an element of Physical distribution.		
(viii)			
(ix)			
(x)	an organisation. [1] Deepti and Sudha are managers in ABC Ltd. and are working together on a project. They report to Mrs.		
(^)	Verma, a Senior Manager. Sudha asks Deepti to submit a report on the project to her without informing Mrs.		
	Verma. Which Principle of Management is not followed in this case? [1]		
(xi)	A wholesaler sold adulterated goods which were hazardous to the customers' health. [1]		
	Which consumer right was violated in this case?		

SOLVED PAPER - 2023	19
<ul> <li>(xii) Which force exerts a direct and immediate influence on the working of a business organisation?</li> <li>(xiii) Assertion: Marketing and Selling are not synonymous with each other.</li> <li>Reason: Selling is narrow in scope, whereas Marketing is wide.</li> <li>(a) Both Assertion and Reason are true, and Reason is the correct explanation of Assertion.</li> <li>(b) Both Assertion and Reason are true, but Reason is not the correct explanation of Assertion.</li> <li>(c) Assertion is true but Reason is False.</li> <li>(d) Assertion is False but Reason is true.</li> </ul>	[1] [1]
SECTION B — 32 MARKS Question 2	[4]
(i) Planning is of vital importance in the managerial process. Give any four reasons to support this statemen OR	
<ul> <li>(ii) Directing is the heart of management process. Give any four reasons to support this statement.</li> <li>Question 3         <ul> <li>Ratan Ltd. needs to raise funds from the financial market and hence, considers issuing equity shares. State four reasons to explain why this source of raising funds is considered by the company.</li> </ul> </li> <li>Question 4</li> </ul>	[4] any [4]
Explain any two advantages and any two disadvantages of Public deposits.	
Question 5 Discuss any four objectives of Management.	[4]
Question 6	[4]
Explain any four differences between training and development.  Question 7  Briefly explain the following terms:  (i) Management by Exception	[4]
<ul> <li>(ii) Span of Control</li> <li>Question 8</li> <li>A patient suffering from high fever was hospitalised for few days. During the treatment, he was given injection which caused a permanent nerve damage resulting in paralysis. The cost of treatment was ₹2,00</li> </ul>	
which was disputed by the patient's family.  Which consumer dispute redressal authority can be approached by the patient's family? Explain any the rights of the consumers.	hree [4]
Question 9  (i) Explain any four points on the need for Consumer Protection.  OR	
(ii) Explain any four features of Advertising.	
Question 10 SECTION C — 32 MARKS	
(i) Explain any five internal factors of micro environment that influence a Business Organisation.  (ii) What is meant by technological environment? Explain any two components of Technological Environment.	[5] nt. [3]
Question 11  (i) What are preference shows? Cive any four types of Preference shows.	
<ul><li>(i) What are preference shares? Give any four types of Preference shares.</li><li>(ii) State any three advantages of e-banking to customers.</li><li>OR</li></ul>	[5]
(i) What are retained earnings? Explain any four disadvantages of Retained Earnings.	[5]
(ii) State any three differences between a debit card and a credit card.  Question 12	[3]
(i) Controlling is a systematic process involving a series of steps. Explain these steps of Controlling.	[5]
(ii) Give any three differences between Centralisation and Decentralisation.  Question 13	[3]
Read the case given below and answer the questions that follow.  Spice and Cheese Burgers has various outlets to sell burgers and deal with the customers directly. This char of distribution was adopted by the organisation keeping in mind the nature of the product. In order to boos sales, the management decides to introduce 'Buy one Get one free' offer to its customers.	
(i) Identify the channel of distribution used by Spice and Cheese Burgers.	[1]
<ul><li>(ii) Briefly explain the channel of distribution identified in (i) above.</li><li>(iii) Which element of promotion mix is highlighted in the above case?</li><li>(iv) State any four objectives of the element of promotion mix identified in (iii) above.</li></ul>	[2] [1] [4]

# **ANSWERS**

#### SECTION A

#### 1. (i) Option (a) is correct

*Explanation:* Policy act as a directive force which aims at providing a stable endless framework for the executive in repeated situations.

#### (ii) Option (d) is correct

*Explanation:* These are additional shares issued by a company to its existing shareholders in proportion to their current shareholding, free of charge.

# (iii) Option (a) is correct

*Explanation:* It will impact the value of the fixed capital of XYZ Company. It can be seen as a long-term investment that will increase the value of the company in the long run. So it impacts the fixed capital of the company.

#### (iv) Option (b) is correct

*Explanation:* RTGS (Real-Time Gross Settlement) is an electronic payment system used for high-value transactions that can be settled immediately.

# (v) Option (b) is correct

**Explanation:** Components of the legal environment:

- Various laws passed by government authorities.
- Decisions taken by various commissions.
- The verdict by the court.

# (vi) Option (d) is correct

*Explanation:* The business environment includes all the external factors that affect the workings of a business. External factors include economic, social, technological, legal, political, and competitive factors.

# (vii) (a) False

**Explanation:** When equity shares dominate the capital structure, the capital is considered low-geared, not high-geared. Gearing refers to the ratio of debt to equity in the capital structure of the company.

#### (b) True

**Explanation:** The micro-environment of a business organization refers to the internal factors that affect it. Employees, management, organizational structure, etc. are some of the internal factors of a business environment.

#### (c) False

**Explanation:** A futures market is a financial market where people trade contracts that specify the future delivery of a commodity, currency, or financial instrument at a predictable rate and date.

#### (d) False

*Explanation:* Inventory control is an essential element of physical distribution. It refers to the management and movement of goods from production to consumption.

#### (viii) Leadership

**Explanation:** Even though planning, organizing, staffing, directing, and controlling are well-known important functions, leadership is a critical component that is required for management functions to be successful.

# (ix) Strategy

*Explanation:* A strategy is a comprehensive plan for accomplishing the organization goals. Strategic management is a comprehensive and ongoing process aimed at formulating and implementing effective strategies.

# (x) The unity of command

**Explanation:** According to this principle, the subordinates should report to one manager, as this will avoid any confusion and conflict. But if the employees are not reporting the work to the supervisor, this shows that they are neglecting the principle, which will hinder their work towards the common goal.

# (xi) Right to safety

*Explanation:* Selling adulterate goods to consumers is a punishable offense and it poses a threat to the health and well-being of the consumers.

(xii) The **Economic Environment** exerts a direct and immediate influence on the working of the business organization. Interest rates, inflation rates, monetary policy, the stock market, and other economic factors can all have an impact on businesses .

### (xiii) Option (a) is correct

*Explanation:* Selling has limited sources of mass reach, whereas goods reach the majority of customers through marketing distribution channels.

#### **SECTION B**

# 2. (i) Planning is of vital importance in the managerial process for the following reasons:

# • Providing Direction:

A plan helps provide direction and purpose to an organization. This helps clarify the goals and objectives of the organization and ensures that all actions and efforts are aimed at achieving them.

# • Facilitating Decision Making:

Planning helps managers identify and evaluate options and alternatives, which allows one to make an informed decision based on careful analysis and evaluation of different options.

### • Reducing Uncertainty:

Planning helps reduce uncertainty and risk by anticipating future scenarios and taking appropriate actions. This allows administrators to identify potential problems and take corrective action before they become serious problems.

### • Increase efficiency and effectiveness:

Planning helps improve the efficiency and effectiveness of an organization by identifying ways to optimize resources and streamline processes, which allows using the resources efficiently and effectively to achieve the desired results.

#### OR

# (ii) Directing is the heart of management process for the following reasons:

#### • Goal Achievement:

The ultimate goal of any management process is to achieve organizational goals. Directives help guide and motivate employees to achieve these goals. This ensures that all efforts are focused on the goals of the organization.

# • Integration of Efforts:

Directing helps bring together the efforts of various people and departments to achieve the organization's overall goals. This ensures that all actions and efforts are coordinated and directed toward achieving the organization's goals.

# • Facilitate communication:

Directing is vital to ensure effective communication between managers and employees. This helps ensure everyone is on the same page, understands the organization's goals, and is committed to achieving them.

# • Increased Efficiency:

Directing helps improve organizational effectiveness by ensuring that resources are used effectively and efficiently. This will help eliminate waste, duplication of effort, and unnecessary work. By ensuring that employees achieve the same goals, leadership helps optimize resource utilization and overall efficiency.

3. Equity shares are one of the popular sources of raising funds for companies. Below are four reasons why a company like Ratan Ltd. may consider issuing equity shares:

# • No repayment obligation:

Equity shares are a type of permanent capital for a company. Unlike debt, equity shares do not have a fixed repayment obligation. Once the company issues the shares, it is not obliged to repay the investors their capital. This makes equity shares an attractive source of funds for companies that want to avoid burdening their balance sheet with debt.

# • Lower cost of capital:

Compared to debt financing, equity financing can be less expensive for the company in the long run. The cost of issuing equity shares is typically lower than that of issuing debt securities. Additionally, the cost of servicing equity is lower as dividends paid to equity shareholders are not tax-deductible.

#### • Flexibility in decision-making:

Unlike debt investors, shareholders do not have a say in the company's day-to-day running. Thus, issuing common stock allows a company to raise money without relinquishing control of its business.

# • Better credit rating:

Issuing equity shares can improve the company's credit rating. This is because equity shareholders have a higher risk appetite than debt investors. By increasing the proportion of equity capital in the company, the company's overall risk profile is reduced, which can lead to a higher credit rating.

**4.** Public deposits are funds raised by companies or corporations from the general public for a specific period. Public deposits are a type of unsecured loan for the company, and they have their own advantages and disadvantages.

# **Advantages of Public Deposits:**

# • Easy Availability:

Public deposits are readily available as many individuals and organizations can raise them. This helps companies raise funds quickly and efficiently without going through lengthy and complicated procedures.

#### Lower Cost of Funds:

Public deposits are a relatively low-cost source of funds as they do not involve the payment of high-interest rates or heavy collateral. This makes public deposits an attractive option for companies looking for low-cost funds.

# **Disadvantages of Public Deposits:**

#### Uncertainty of Funds:

Public deposits are not guaranteed compared to other sources of funds, such as loans from banks. Whether or not to invest money in a company is entirely at the discretion of the public. This means the company may need help using government deposits as a permanent funding source.

# • Lack of Flexibility:

Public deposits usually have a fixed term and can only be withdrawn after maturity. Companies have to plan their cash flows accordingly and may need help accessing the funds in an emergency. Additionally, companies may only be able to adjust the interest rates they pay on public deposits if market conditions change.

5. Management is the process of planning, organizing, directing, and controlling an organization's resources to achieve its objectives. The primary objectives of management are as follows:

#### • Goal Attainment:

The main task of management is to achieve organizational goals and objectives. Goals and objectives can be financial, social, or anything else the organization sets for itself. Management sets goals, develops strategies and plans to achieve them, and monitors progress.

#### • Optimum Resource Utilization:

Another objective of management is to utilize the available resources most efficiently and effectively. Resources such as human, financial, and physical resources need to be utilized to their full potential to achieve the organization's objectives. Management allocates resources to different departments and functions and ensures they are used optimally.

# • Adaptation to Change:

Management is responsible for identifying and adapting to the changes in the environment. The external environment is dynamic and constantly changing, and management needs to adapt to these changes to ensure the organization's long-term success. Management needs to identify opportunities and threats in the environment and develop strategies to adapt to these changes.

# • Growth and Development:

Management is responsible for the growth and development of the organization. Growth and development can be achieved through expansion, diversification, or mergers and acquisitions. Management needs to identify the opportunities and development and develop strategies to achieve them. The growth and development of the organization are essential for its long-term sustainability.

6. Training and development are two related but distinct concepts in human resource management. The following are four key differences between training and development:

# (i) Purpose:

Training is focused on improving an employee's current job-related knowledge, skills, and abilities. It is usually job-specific and aims to enhance the employee's performance in their current role. Development is focused on preparing the employee for future roles and responsibilities within the organization. It aims to develop the employee's potential for future career growth.

# (ii) Scope:

Training is usually a short-term process that is focused on specific job-related skills. It is often structured and delivered in a classroom or online environment. Development is a long-term process focused on developing the employee's overall potential. It is usually more informal and includes a variety of learning experiences, such as coaching, mentoring, job rotations, and special assignments.

### (iii) Timeframe:

Training is typically completed within a relatively short period, usually a few days to a few weeks. On the other hand, development is a longer-term process that can take several months or even years to complete. Development requires ongoing support and feedback from management and may involve multiple experiences and interventions over time.

#### (iv) Outcome:

The primary outcome of training is improved job performance in the current role. It is typically measured by improved productivity, quality, and efficiency. Development aims to prepare employees for future roles and responsibilities. It is typically measured by the employee's readiness to take on new challenges and responsibilities and their potential for future career growth.

# 7. (i) Management by Exception.

- Management by Exception is a management approach that focuses on significant deviations or exceptions in performance from the expected or desired results. The basic idea is that managers should primarily concentrate on managing situations that fall outside of the normal range of expected outcomes rather than trying to oversee every detail of an operation.
- In this approach, managers set specific performance standards or benchmarks and use them to monitor the performance of their team or organization. Managers step in to analyze the situation and make necessary adjustments when actual performance falls outside of an acceptable range or is significantly different from what was expected.
- The benefits of management by Exception include reducing the workload for managers, allowing them to focus on critical issues and use their time and resources more efficiently.
- However, it can also result in ignoring the dayto-day operational details and not recognizing the value of the continuous improvement.
- Management by Exception can be a helpful approach in many situations. Still, it must be balanced with other management techniques to ensure that all operations are tracked and optimized.

# (ii) Span of Control:

- Span of control is a management concept that refers to the number of subordinates a manager or supervisor can manage effectively. Indicates the number of direct reports a manager is responsible for directing and supervising. The term "scope" refers to the extent or scope of a manager's supervisory responsibility.
- Span of control is an essential factor in organizational design and management.
   Determine the level of hierarchy in the organization and the number of levels of control you need.
- A narrow span of control means the manager has fewer subordinates to supervise, and a wide span of control means the manager has to supervise more subordinates.
- The appropriate degree of supervision depends on several factors, including the job's complexity, the skills and experience of managers and

subordinates, and the subordinate's level of autonomy in the job. A narrow span of control can provide more direct supervision, while a broad span of control can give subordinates greater flexibility and autonomy.

8. The patient's family can approach the Consumer Disputes Redressal Forum (CDRF) to file a complaint against the hospital for medical negligence resulting in nerve damage and paralysis and dispute the cost of treatment. They must provide all necessary documentation, such as medical certificates, bills, and receipts, to support their claim. The forum will consider the case and make appropriate decision to provide compensation for the damage caused. As per Section Consumer Protection Act 2019, a local consumer forum is appropriate for complaints.

# Here are three rights of the consumer:

#### • Right to Information:

The patient's family has the right to be informed about the details of the medical treatment provided to the patient, including the medication and procedures used and any potential risks or side effects associated with them.

#### • Right to Redressal:

The patient's family has the right to seek redressal for the harm caused to the patient as a result of the medical negligence. This includes the right to compensation for the expenses incurred due to the treatment and the long-term care required for the patient's paralysis.

# • Right to Participation:

The patient's family has the right to be involved in making the patient's medical treatment decision, including giving informed consent for any procedures or medications. They also have the right to receive timely and accurate information about the patient's condition and treatment progress.

**9. (i)** Consumer protection is an essential aspect and there are several reasons why it is needed. Here are four key points explaining the need for consumer protection:

#### • Information Asymmetry:

In many situations, sellers have more information about their products or services than buyers. This information asymmetry can lead to consumers making uninformed decisions, which may harm them. Consumer protection regulations can ensure that consumers have access to accurate and relevant information to help them make informed choices.

#### • Product safety and quality:

Consumer protection is essential to ensure that products and services are safe, of good quality, and free from defects.

This can help prevent companies from selling

substandard or risky products that could harm consumers. Consumer protection can also help set and enforce product safety standards.

#### • Unfair Trade Practices:

In some cases, the Company may engage in unfair trade practices that harm consumers. For example, a company may misrepresent its products, use false advertising, or use a "bait and divert" strategy. Consumer protection laws can help prevent such practices and provide remedies if consumers are harmed.

#### Redressal of Grievances:

Consumers can face various issues, such as faulty products, defective services, overcharging, misrepresentation, breach of warranties, etc. Consumer protection provides a forum for consumers to file complaints and seek redressal of their grievances. This can include compensation for losses from defective products, poor services, or any other violation of consumer rights.

In conclusion, consumer protection is crucial for ensuring that consumers are treated fairly and protected from harm. It helps to promote transparency, accountability, and trust between consumers and businesses, which is essential for the growth and development of the economy.

#### OR

(ii) Advertising is an essential tool that businesses use to promote their products or services. Here are four features of Advertising:

# • Persuasive Communication:

Advertising form is of persuasive communication designed to influence consumer behavior. Advertising creates a positive perception of a product or service and encourages consumers to purchase it. Advertisers use various techniques to persuade their audiences, such as eye-catching slogans, emotional appeals, and celebrity endorsements.

# • Creative and Attractive:

Successful advertising campaigns are creative, engaging, and memorable.

Advertisers use visual elements such as images, videos, and graphics to make their ads stand out from their competitors. Creative and visually appealing advertising helps to engage your audience and create a positive brand impression.

# • Targeting:

Advertisers target specific consumer groups based on age, gender, income, and interests. Targeted advertising helps increase effectiveness by reaching the right audience with the right message. For example, a company that sells sports shoes might target athletes and fitness enthusiasts.

# • Informational:

Advertising is not just persuasion. It provides information about the features and benefits of a product or service. We can also provide details on pricing, availability, and special offers. Informational advertising helps consumers make informed decisions and choose products that fit their needs.

In conclusion, advertising is a powerful tool for companies to promote their products or services. Successful advertising campaigns are creative, engaging, targeted, and informative. Advertising persuasive, memorable, and relevant to its target audience can help businesses increase brand awareness and sales and achieve their marketing goals.

# **SECTION C**

**10. (i)** The business microenvironment includes elements of an organization's immediate environment that can affect its operations, performance, and success. Here are five internal factors that influence a business organization.

# • Company culture:

Company culture refers to the employees' shared values, beliefs, attitudes, and behavior within an organization. Strong and positive company culture can enhance employee morale, motivation, and productivity. It can also improve customer satisfaction and loyalty and contribute to the organization's overall success.

#### • Organizational structure:

The organizational structure of a business refers to how it is organized and managed. The structure can influence the organization's communication, decision-making, and resource allocation efficiency. A well-designed and functional organizational structure can enhance an organization's performance and ability to adapt to changing circumstances.

#### • Human resources:

Human resources refer to the employees of an organization, including their skills, knowledge, and experience. The quality of human resources can affect the performance and success of the organization. A well-trained, motivated, and engaged workforce can contribute to the organization's success.

# • Financial resources:

Financial resources refer to the financial assets and liabilities of the organization, including its revenue, expenses, and assets. The availability and management of financial resources can impact the ability of the organization to invest in new opportunities, fund ongoing operations, and manage risks.

#### Marketing:

Marketing refers to the activities and strategies used to promote and sell the organization's products or services. Effective marketing can improve the organization's visibility, attract new customers, and increase sales. It can also contribute to developing a positive brand image and reputation, enhancing the organization's competitive advantage.

(ii) The technological environment refers to the external factors and conditions that influence the development, implementation, and use of technology in a particular industry or market. It includes factors such as scientific advancements, research and development, and the availability and use of technology.

Two components of the technological environment are:

### • Innovation:

Innovation refers to the development and implementation of new technologies and processes that can improve efficiency, productivity, and competitive advantage. Innovation can be disruptive, creating new opportunities and challenges for businesses. For example, online shopping has disrupted traditional brick-and-mortar retail business models and created new opportunities for e-commerce companies.

#### • Research and Development:

Research and development (R&D) refer to organizations' activities and investments to develop new technologies and products. R&D is an essential component of the technological environment, as it can lead to new products, services, and processes that can enhance the competitiveness of organizations. Research and development help organizations continuously improve their products and services to stay ahead of the competition. For example, companies like Apple invest heavily in research and development to develop new and innovative products like the iPhone and iPad.

11. (i) Preferred stock is a type of security representing an ownership interest in a company but having certain privileges or rights. These privileges or rights are generally related to the payment of dividends and the distribution of assets upon liquidation. Types of preference shares:

#### • Cumulative preference shares:

Cumulative preference shares entitle shareholders to receive any unpaid dividends in the current or future years before common stockholders receive any dividend payments. If the company does not pay a dividend within one year, unpaid dividends are carried forward to the following year. Dividends must be paid before ordinary shareholders receive them.

#### • Non-cumulative preference shares:

Non-cumulative preference shares do not have the same priority as cumulative preference shares concerning unpaid dividends. If the company does not pay a dividend in any year, the unpaid dividends are not carried forward to future years and are forfeited.

#### • Participating preference shares:

Participating preference shares entitle shareholders to receive additional dividends over and above their fixed dividend rate if the company has a good year. This means that if the company pays a dividend to common stockholders over the fixed dividend rate on preference shares, the preference shareholders will receive an additional payment based on a predetermined formula.

# • Convertible preference shares:

Convertible preference shares allow shareholders to convert their preference shares into common shares at a predetermined ratio. This can be advantageous for shareholders if the value of the company's common shares increases over time. They can benefit from capital appreciation and fixed dividend payments on their preferred shares.

# (ii) There are several advantages of e-banking to customers, but here are three of them:

#### Convenience:

One of the most significant advantages of e-banking is convenience. Customers can access their bank accounts and carry out various banking transactions from anywhere, at any time. They do not need to visit a physical bank branch, stand in long queues, or adhere to the bank's operating hours. They can log in to their online banking portal or use a mobile banking app to check their account balance, transfer funds, pay bills, and more.

# Cost savings:

E-banking can also help customers save money on banking fees and other related expenses. With e-banking, customers can avoid charges associated with paper-based transactions, such as printing and postage costs. In addition, many banks offer lower fees for online transactions and may waive fees for certain types of accounts or transactions carried out electronically.

# • Security:

E-banking also offers enhanced security features to protect customers' accounts from fraud and unauthorized access. Many banks employ multifactor authentication, encryption, and other security measures to ensure that customer's sensitive information and transactions remain safe and secure. Customers can also monitor their accounts in real-time, set up alerts for unusual activity, and take immediate action to

prevent any potentially fraudulent transactions.

(i) Retained earnings represent a portion of a company's net income, which is unpaid as dividends to shareholders but remains with the company to reinvest in the business or pay down debt.

# Here are four potential disadvantages of retained earnings:

# • Opportunity cost:

By retaining earnings and not distributing them as dividends, a company may miss out on opportunities to invest in other profitable ventures or projects. This can lead to a lower return on investment for shareholders in the long run.

# Lower dividend payments:

Shareholders may be disappointed with a low dividend payment, especially if they expect higher investment returns. This can lead to a company's stock value and investor confidence decline.

# Tax implications:

Retaining earnings can have tax implications for the company and its shareholders. If the company retains earnings for too long, it may face higher corporate tax rates, and shareholders may be subject to higher taxes on their dividends when they are eventually paid out.

# Lack of transparency:

Investors may view companies that retain earnings instead of dividends as less transparent. Shareholders may not clearly understand a company's financial health or investment performance. This can lead to distrust in the company and a decline in investor confidence.

(ii) Debit and credit cards are payment cards that allow users to make purchases, but there are several differences between them. Here are three:

# • Source of funds:

A debit card is linked to a user's bank account, so the funds used to make a purchase are deducted from the account immediately. In contrast, a credit card allows users to borrow money from the card issuer to make purchases, which must be paid back later.

#### Interest and fees:

Debit cards typically do not charge interest or fees, aside from potential overdraft fees, if the account has insufficient funds. Credit cards, on the other hand, may charge interest on unpaid balances and fees for late payments, cash advances, balance transfers, and other transactions.

# • Credit score impact:

Using a debit card does not affect a user's credit score since no borrowing is involved. However,

- using a credit card can impact a user's credit score, as the issuer reports the user's payment history and credit utilization to credit bureaus, which can affect the user's credit score.
- **12. (i)** Controlling is one of the important functions of a manager. Controlling means ensuring that all functions in an organization are performed according to plans.

# Controlling is a systematic process involving the following steps:

- Setting performance standards: Performance standards are criteria that are used to measure performance. These standards should be flexible enough to be changed or modified whenever required.
- Measurement of Actual Performance: Measurement should be done with reliable tools and techniques. Performance should be measured frequently and repeatedly. Techniques to measure include personal observation, performance reports, sample checking, and accounting ratios.

- Comparing actual performance with standards:
   This step involves a comparison of actual performance with standard performance.
   Comparison becomes easier when standards are set for quantitative analysis.
- Analyzing deviations: Analysis of the deviation is a necessary step in controlling. There are deviations in the performance of all the activities. Deviations in key areas of the business need to be addressed more urgently. Some key result area includes
- (1) Critical point control (CPC): It focuses on 'Key Result Areas" (KRAs), which are crucial to the success of an organization. If there's anything wrong at these critical points, the entire organization suffers.
- (2) Management by Exception (MBE): When a manager focuses on controlling all the activities, he is unable to control anything. Thus, MBE helps in focusing on those deviations that are important to the organization. It is an important principle of management which helps in maintaining control in the organisation.

(ii) The main differences between centralization and decentralization are as follows:

Basis	Centralization	Decentralization
Power Distribution	Centralization refers to an organizational structure in which power and decision-making authority are concentrated at the top level of management.	Decentralization refers to the structure in which power and decision-making authority are distributed throughout the organization.
Control	Decision-making power is limited to a few individuals, and decisions are taken by the top level of management.	Decision-making power is distributed throughout the organization. Subordinates take part in the decision-making process.
Flexibility and Adaptability	It tends to be rigid and inflexible because decision-making authority is concentrated at the top, with no delegation of authority to lower levels of management.	It is more flexible and adaptable, as decision-making authority is distributed within the organization. This allows for quicker response and decision-making.

- **13.** (i) The direct distribution channel is used by Spice and Cheese Burgers.
- (ii) Direct distribution channel refers to a marketing technique where a company sells its products or services directly to the customers, without any intermediates such as wholesalers, retailers, or agents. These are commonly used by manufacturers who have the resources to establish their own outlets. This allows the company to have more control over the distribution process while maintaining a closer relationship with the customers. They can get direct feedback from the customers easily.
- (iii) The element of sales promotion is highlighted in the case.

**(iv)** The following are the objectives of sales promotion: Information to the customer: Sales promotion activities in at increasing the customer's interest in the product.

**Increase in sales volume:** The sales promotion schemes help in boosting season sales and tempting the buyers to make quick decisions.

Incentives to retailers: The main objective of sales promotional activity is to offer promotional support to the retailers. It helps in getting shelf space for products in new retail outlets.

Creation of product identity: Sales promotion creates an identity of the product by offering additional features and incentives. This helps in building customers' preferences for the product.