

ISC EXAMINATION PAPER – 2025

COMMERCE

Class– 12th

(Solved)

Maximum Marks: 80
Time allowed: Three hours
Reading Time: Additional Fifteen Minutes

Instructions to Candidates

1. You are allowed an **additional fifteen minutes** for **only** reading the question paper.
2. You must **NOT** start writing during the reading time.
3. There are **thirteen** questions in the paper. All questions are compulsory.
4. This paper is divided into **three sections: A, B and C.**
5. **Section A** has **sixteen** which are very short answer questions. Each question carries 1 mark.
6. While attempting **Multiple Choice Questions** in Section A, you are required to **write only ONE option as the answer.**
7. **Section B** has **eight** questions which are short answer questions. Each question carries 4 marks.
8. **Section C** has **four** questions which are long answer questions. Each question carries 8 marks.
9. **Internal choices** have been provided in **two questions in Section B** and in **one question in Section C.**
10. The intended marks for questions are given in brackets [].

SECTION – A

16 Marks

Which internal factor of micro environment is referred to here?

Question 1

- (i) In recent years, the street vendors have begun to accept UPI as a mode of payment. The feature of business environment indicated here is: [1]

- (a) inter-relatedness (b) relativity
(c) diversity (a) dynamism

- (ii) With reference to dimensions of business environment, select the odd one out from the following. [1]

- (a) Suppliers of raw materials
(b) Changes in technology
(c) Competition with other companies
(d) Change in consumer preferences

- (iii) In 2021, Arun Singhal, the CEO of India's food regulator, FSSAI said, "Consumers should be aware of the food that they are consuming and that can be ensured through labelling... From November onwards, disclosures about (sodium, sugar and fat) per serving will be mandatory." [1]

(Source(edited):<https://m.economictimes.com>)

Which consumer rights are being protected by the new regulations of FSSAI?

- (P) Right to Information
(Q) Right to be Heard
(R) Right to Safety
(S) Right to Seek Redressal

- (a) Only (P) and (Q) (b) Only (Q) and (R)
(c) Only (P) and (R) (d) Only (R) and (S)

- (iv) Paryavaran Ltd. focuses on sustainable development by following a 'zero waste policy'. [1]

- (a) Mission and objectives
(b) Human resources
(c) Power structure
(d) Customer focus

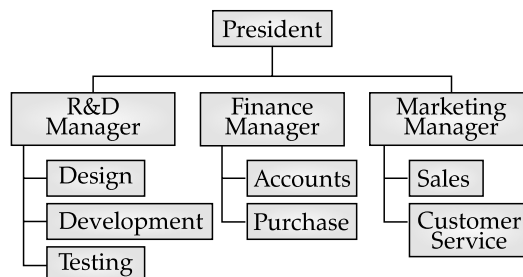
- (v) Which element of directing is shown below? [1]



(Source: www.googleimages.com)

- (a) Leadership (b) Motivation
(c) Supervision (d) Communication

- (vi) Identify the organisation and the type of structure shown below. [1]



- (a) Informal organisation and Divisional structure
 (b) Informal organisation and Functional structure
 (c) Formal organisation and Divisional structure
 (d) Formal organisation and Functional structure
- (vii) Given below are two statements marked Assertion and Reason. Read the statements carefully and choose the correct option. [1]
Assertion: Marketing aims to earn profit through customer satisfaction.
Reason: Marketing begins before production of goods and ends with sale.
 (a) Both Assertion and Reason are true and Reason is the correct explanation for Assertion.
 (b) Both Assertion and Reason are true but Reason is not the correct explanation for Assertion.
 (c) Assertion is true and Reason is false.
 (d) Both Assertion and Reason are false.
- (viii) Study the relation between the first and the second words given below and fill in the fourth word on that basis. [1]
 (a) Universal validity : Science :: Creativity : _____
 (b) Positive process: Recruitment :: Negative process: _____ [1]
- (ix) State whether the following are True or False.
 (a) As a facilitating function of marketing, packaging helps to protect the product. [1]
 (b) According to Henri Fayol, the principle of **harmony not discord** states that there should be healthy cooperation between employees and the employer. [1]
- (x) The data given below shows that the capital structure of ABC Ltd. is _____ geared. [1]

DEBT	EQUITY
60%	40%

- (xi) The profit of Kriti Ltd. is ₹ 90,000 for the current financial year. Study the data of Kriti Ltd. given below and answer the question that follows. [1]

Security	Yield
Interest on Debenture	₹ 10,000
Dividend on Preference shares	₹ 10,000
Dividend on Equity shares	₹ 30,000

_____ and equity shareholders will have a share in ₹ 40,000.

- (xii) Identify the document shown in the image below. [1]

(Source (edited): Quora.com)

- (xiii) Pizzas & Shakes, a famous fast-food chain, has been facing stagnant demand. To overcome this, the management decides to offer discounted meals during the forthcoming festival season.

Which element of promotion mix has been used by Pizzas & Shakes? [1]

- (xiv) Management is required in all types of organisations and at all levels. Which characteristic of management is highlighted in this statement? [1]

SECTION B

32 Marks

Question 2

[4]

As a Finance Manager, outline *any four* factors you would consider while determining working capital needs of the organisation.

Question 3

[4]

Food and grocery delivery company, Swiggy announced a programme before its Initial Public Offering (IPO). This programme allows employees to buy a portion of their company stock option for a combined total of up to \$65 million.

(Source (edited): <https://www.business-standard.com>)

Identify and explain the financial incentive given to the employees.

Question 4

[4]

Siddhi works in a private company. One of her main responsibilities is to develop the company's goals and strategies.

What managerial level is Siddhi employed at? Name *three* more responsibilities that she needs to fulfil at this level.

Question 5

- (i) When employees are specialised in their tasks, their efficiency increases resulting in an increased output. Name and briefly explain the principle given by Henri Fayol that supports the above statement. [2]
 (ii) Some employees strive to fulfil their individual goals rather than achieving the objectives of the organisation. [2]

Which principle of Henri Fayol can be applied to change the mindset of such employees? Briefly explain this principle.

Question 6

[4]

- (i) Rajan has a small size business. He aims to increase his market share by 25% in the next three years. Specify the type of plan chosen by Rajan. Illustrate *any three* of its features.

OR

- (ii) In an organisation, there exists a network of social relationships among employees of different departments.

Identify the type of organisation referred to here. State *any three* of its merits.

Question 7

[4]

You are the Manager at Keya Pvt. Ltd. You have to select a Chartered Accountant for the company.

Explain the **next four** steps in the Selection Procedure that you will follow after receiving the application blank.

Question 8 [4]

Annie purchased a car worth ₹ 1 crore from a showroom on May 7, 2023. Within few days, she noticed that its speedometer was not giving accurate results.

Which consumer forum can Annie approach to file a complaint? Suggest *any three* remedies that the consumer forum can provide to Annie.

Question 9 [4]

- (i) What is *product mix*? Explain *any three* elements of product mix.

OR

- (ii) Highlight the importance of Marketing by giving *any four* reasons.

SECTION C

32 Marks

Question 10

- (i) Name and explain the technique used by a business organisation to diagnose and analyse its micro and macro environment. [5]
- (ii) Discuss how Coordination is embedded in Planning, Organising and Staffing functions of management. [3]

Question 11

- (i) Ramanpreet is a cautious investor who wants to invest ₹1,00,000 for ten years in a debt security offered by a company.
Which debt security should Ramanpreet invest in? Explain *any four* of its features. [5]
- (ii) Differentiate between Credit card and Debit card on *any three* basis. [3]

OR

- (i) A company's decision to retain profits for reinvestment rather than distribute them as dividends can prove to be a double-edged sword for the company. Justify this statement by discussing *any three* merits and *any two* demerits of retained earnings. [5]

- (ii) Write a short note on Digital Banking. [3]

Question 12

- (i) Several factors influence the price of a product. Explain *any five* of these factors. [5]

- (ii) Explain *any three* features of a service which is offered for sale. [3]

Question 13

Read the passage given below and answer the questions that follow.

XYZ Company had planned to increase its profit margin by 30% in the current financial year. But it could not achieve the set target in the first quarter of the year due to cases of theft by employees. The Board of Directors formulated a policy of 'zero tolerance' for theft. To prevent such cases, it was decided to install CCTV cameras in the rooms where the expensive products were stored.

The team of Senior Managers communicated the same to all the employees of the organisation. The decisions were implemented and instructions were given to the concerned departments to impose a penalty if an employee was found guilty.

The Human Resource department incorporated the same in the employee handbook.

- (i) Explain *any two* steps of Controlling highlighted in the above case. [2]
- (ii) With reference to the above case, mention *any two* objectives of Communication. [2]
- (iii) Provide *any four* points to highlight the importance of Controlling. [4]

■ ■

ANSWERS

SECTION – A

1. (i) Option (d) is correct.

Explanation: The business environment is dynamic because it continuously evolves with new technologies, consumer preferences and government policies. The adoption of Unified Payments Interface (UPI) by street vendors highlights how businesses adapt to new technological advancements, reflecting the dynamic nature of the business environment.

- (ii) Option (b) is correct.

Explanation: Business environment includes both specific and general forces. Specific forces (such as investors, customers, competitors and suppliers) affect individual enterprises directly and immediately in their day-to-day working. General forces (such as social, political, legal and technological conditions) have impact on all business enterprises and thus may affect an individual firm only indirectly. Since changes in technology is a general force, while the others are specific forces, option (b) is the odd one out.

- (iii) Option (c) is correct.

Explanation: The regulation ensures consumers get accurate information about food products (Right to Information) and protects their health from harmful substances (Right to Safety).

- (iv) Option (a) is correct.

Explanation: A company's commitment to sustainable development aligns with its mission and objectives, which guide business strategies.

- (v) Option (a) is correct.

Explanation: The image shows a person leading others, guiding them forward while holding their hands, which symbolises leadership - a key element of directing. Leadership involves influencing and guiding employees to achieve organisational goals.

- (vi) Option (d) is correct.

Explanation: The structure depicts a formal organisation with a clear hierarchy and designated roles, such as President, R&D Manager, Finance Manager and Marketing Manager. It is divided into functions like Research & Development, Finance and Marketing, with further subdivisions like Design, Development and Testing under R&D and Sales and Customer Service under Marketing.

- (vii) Option (c) is correct.

Explanation: Marketing aims to earn profit by satisfying customer needs. It starts before production

(market research) and continues after sales (customer service). So, this justifies that assertion is true and reason is false.

- (viii)(a) Universal validity: Science:: Creativity: Art

(b) Positive process: Recruitment:: Negative process: Selection

Explanation:

- (a) Science is characterised by universal validity, meaning scientific principles are universally accepted and applicable. Similarly, creativity is a fundamental aspect of Art, as art relies on creative expression and originality.

- (b) Recruitment is a positive process that attracts and encourages candidates, expanding the applicant pool, while selection is a negative process that eliminates unsuitable candidates and selects the most qualified individuals.

- (ix) (a) True – Packaging is considered a facilitating function of marketing because it plays a key role in protecting the product from damage, contamination, and tampering during transportation, storage, and handling. Additionally, packaging also helps in branding and providing necessary information to consumers.

- (b) False – F.W. Taylor, the father of Scientific Management, introduced the principle of Harmony, Not Discord, promoting mutual understanding, cooperation and coordination between workers and management for efficient organisational goals.

- (x) Highly geared

Explanation: Gearing refers to the proportion of debt in a company's capital structure. Since ABC Ltd. has 60% debt and 40% equity, it is considered highly geared (because a higher proportion of capital comes from borrowed funds rather than equity).

- (xi) Retained earnings and equity shareholders will have a share in ₹ 40,000.

Explanation: Interest on debentures is a fixed cost and must be paid first: ₹ 10,000

- Dividend on preference shares is also fixed: ₹10,000

- The remaining amount after these payments:
₹90,000 – ₹10,000 – ₹10,000 = ₹70,000

Out of ₹ 70,000, equity shareholders receive a dividend of ₹ 30,000, and the remaining ₹ 40,000 is distributed among debenture holders, preference shareholders and equity shareholders in different ways (depending on retained earnings or further payouts).

(xii) Cheque

Explanation: A cheque is a negotiable instrument instructing a bank to pay a specific amount to a person or entity.

(xiii) Sales Promotion

Explanation: Sales promotion includes short-term incentives to encourage customer purchases. In this case, offering discounted meals during the festival season is a form of sales promotion aimed at boosting demand.

(xiv) Universality

Explanation: The statement emphasises that management is applicable in all types of organisations (businesses, government, non-profits) and at all levels (top, middle and lower management). This highlights the universal nature of management principles.

SECTION – B

2. As a Finance Manager, four factors to consider while determining working capital needs are:

- Nature of Business – Manufacturing businesses need higher working capital than service businesses.
- Cyclical fluctuations – During boom periods, more working capital is required due to increased production and sales.
- Credit Policy – If a company offers credit to customers, it will require more working capital.
- Operating Cycle – A longer production and sales cycle require more working capital.

3. Employee Stock Option Plan (ESOP)

Explanation: In Swiggy's case, before its Initial Public Offering (IPO), the company introduced a programme allowing employees to buy a portion of their stock options, amounting to \$65 million. This serves as an ESOP, a motivational tool to retain employees, boost their commitment, and encourage long-term association with the company.

4. Siddhi is employed at the top level of management. Three responsibilities at this level:

- Setting Organisational Goals and Strategies – Defining long-term vision, mission and objectives.
- Decision-Making – Making critical decisions related to business expansion, mergers, or resource allocation.
- Representing the Company – Interacting with external stakeholders like investors, government and the public.

5. Henri Fayol's Principles

(i) **Principle of Division of Work:** According to this principle, work should be divided into small tasks and assigned to employees based on their specialisation

and skills. This enhances efficiency, reduces wastage of effort and leads to increased productivity as employees become experts in their respective tasks.

(ii) **Principle of Subordination of Individual Interest to General Interest:** This principle emphasises that the interests of the organisation should take precedence over individual interests. If employees focus only on personal goals, it can hinder organisational objectives. Management should ensure that employees align their personal goals with the company's mission.

6. (i) Strategic Plan:

The type of plan chosen by Rajan is a "Strategy." A strategy is a comprehensive plan formulated by a business to achieve long-term objectives, such as increasing market share, expanding operations, or gaining a competitive advantage.

Three Features of a Strategy:

1. **Long-Term Perspective:** Strategies are designed to achieve goals over an extended period, often spanning multiple years, as seen in Rajan's aim to increase market share by 25% in three years.
2. **Competitive Advantage:** A strategy helps a business gain an edge over competitors by identifying strengths, weaknesses, opportunities and threats (SWOT analysis) and taking appropriate actions.
3. **Guides Decision-making:** Strategies provide direction for decision-making at various levels of the organisation, ensuring all efforts align with achieving the set objectives.

OR

(ii) **Informal Organisation:** An informal organisation consists of social relationships, friendships and communication networks within a company that exist outside the formal structure.

Three Merits of Informal Organisation:

- **Improves Communication:** Information flows quickly through informal channels, enabling faster decision-making and issue resolution.
 - **Enhances Teamwork:** Strengthens relationships among employees, fostering collaboration and mutual support across different departments.
 - **Increases Job Satisfaction:** Provides employees with a sense of belonging and social support, leading to higher morale and job satisfaction.
7. After receiving the application blank, the next four steps in the selection procedure are:
- **Conducting Tests:** Administering skill-based, technical, or aptitude tests to evaluate candidates' expertise in accounting and finance.
 - **Interview Process:** Conducting personal or panel interviews to assess the candidate's knowledge, problem-solving ability, and suitability for the role.

- **Reference and Background Check:** Verifying past employment records, certifications and references to ensure authenticity and credibility.
 - **Selection Decision:** Applicants who clear Selection Tests, Employment Interview and Reference checks are selected. Prior to taking final selection decision, the views of the concerned manager will be generally considered in the final selection because it is he/she who is responsible for the performance of the new employee.
8. Annie purchased a defective car, which is a case of consumer grievance. Since the car costs ₹1 crore, her case falls within the range of ₹ 50 lakh to ₹2 crore. She should approach the State Commission (SCDR)C. If the amount were above ₹2 crore, only then would she need to approach NCDRC.

Remedies that can be provided to Annie are:

- **Replacement of the Product** – The showroom may be ordered to provide a new car.
 - **Refund of the Purchase Amount** – Annie may receive a full refund if the defect is irreparable.
 - **Compensation for Loss or Inconvenience** – She can claim damages for mental distress and additional costs incurred.
9. **(i) Product Mix:** Product Mix refers to the combination of various features relating to the product or service that the company offers to sale. It involves functions like planning, developing and producing the right type of products and services for the consumers.

Elements of Product Mix:

1. **Product Width:** It refers to the number of product lines a company offers. A company with multiple product lines (e.g., electronics, clothing and home appliances) has a wide product mix.
2. **Product Depth:** It indicates the number of variations within a product line, such as different sizes, colours, models, or features of a particular product. For example, a car manufacturer may offer multiple versions of the same model with different engine capacities.
3. **Product Consistency:** It refers to the degree of similarity between different product lines in terms of production, distribution and usage. A company with a high level of consistency offers products that complement each other, such as a brand selling both shampoos and conditioners.

OR

(ii) Importance of Marketing:

- **Creates Awareness:** Helps in promoting products to potential customers.

- **Increases Sales and Revenue:** Attracts customers and boosts business growth.
- **Builds Brand Reputation:** Strengthens customer trust and loyalty.
- **Facilitates Consumer Satisfaction:** Ensures products reach the right market, fulfilling consumer needs.

SECTION – C

10. (i) The technique used by a business organisation to diagnose and analyse its micro and macro environment is SWOT analysis.

1. **Strengths (S):** Internal positive factors, such as strong brand reputation, financial stability, or skilled employees.
 2. **Weaknesses (W):** Internal negative factors, like poor management, outdated technology, or weak marketing strategies.
 3. **Opportunities (O):** External favourable conditions that a business can take advantage of, such as market expansion, technological advancements, or policy changes.
 4. **Threats (T):** External unfavourable conditions that may hinder business growth, such as competition, changing regulations, or economic downturns.
- (ii) Coordination is essential in Planning, Organising and Staffing because it ensures efficiency and harmony in operations.

1. **Planning:** Coordination aligns objectives across departments, ensuring smooth goal-setting and strategy execution.
 2. **Organising:** It ensures that resources and roles are assigned effectively to avoid duplication or conflicts.
 3. **Staffing:** Coordination ensures that employees are placed in appropriate roles and trained to meet organisational goals.
11. (i) Ramanpreet, being a cautious investor, should invest in debentures as they are low-risk debt securities.

Four Features of Debentures:

1. **Fixed Interest Rate:** Investors earn a pre-determined interest rate over the tenure.
2. **Secured Investment:** Debentures are often backed by company assets, reducing risk.
3. **No Ownership Rights:** Debenture holders are creditors, not owners, and do not participate in company management.
4. **Repayment on Maturity:** The principal amount is repaid after a fixed tenure, making it a secure long-term investment.

(ii) Difference between Credit Card and Debit Card

Basis of Difference	Credit Card	Debit Card
1. Usage	Allows users to borrow money up to a certain limit to make purchases.	Uses funds directly from the user's bank account.
2. Payment Mode	Buy now, pay later (borrowed money).	Immediate deduction from the account (own money).
3. Interest Charges	Interest is charged if the bill is not paid on time.	No interest is charged as it uses existing funds.
4. Spending Limit	It has a pre-defined credit limit set by the bank.	It is limited to the available balance in the bank account.

(Any three)

OR

- (i) A company retaining profits rather than distributing them as dividends can be beneficial but also has drawbacks.

Three Merits:

- Funds for Expansion:** Retained earnings provide a cost-effective way to finance growth.
- No Interest Obligation:** Unlike loans, retained earnings do not require repayment or interest.
- Improves Financial Stability:** Helps build reserves, strengthening the company's financial health.

Two Demerits:

- Dissatisfaction Among Shareholders:** Investors may expect dividends and feel neglected if profits are not shared.
- Opportunity Cost:** The retained money could have been invested elsewhere for potentially higher returns.

- (ii) **Digital Banking:** It refers to the use of online and electronic platforms to provide banking services without requiring customers to visit a physical branch. It offers various services such as fund transfers, bill payments, loan applications and investment management through internet banking and mobile apps. Digital banking ensures convenience by allowing users to access their accounts 24/7 from anywhere. It also enhances security through encryption and multi-factor authentication. Additionally, it is cost-effective, reducing operational expenses for banks and lowering service charges

for customers. By promoting paperless transactions and improving efficiency, digital banking has revolutionised the financial sector, making banking faster, safer and more accessible.

12. (i) Factors influencing the price of a product:

- Cost of Production:** The total cost incurred in producing a product, including raw materials, labour and overheads, directly affects its price. Higher production costs lead to higher prices.
- Demand and Supply:** If demand is high and supply is limited, prices tend to rise. Conversely, if supply exceeds demand, prices decrease.
- Competition in the Market:** The pricing strategy of competitors influences a company's pricing decisions. In a highly competitive market, businesses may lower prices to attract customers.
- Government Regulations and Taxes:** Government policies such as GST, import duties and price controls can impact product pricing.
- Consumer Perception and Brand Value:** Products with strong brand value and consumer trust can command higher prices compared to lesser-known brands.

(ii) Three features of a service that is offered for sale.

- Intangibility:** Services cannot be seen, touched, or stored like physical products. They are only experienced when provided (e.g., banking, education, healthcare).
- Inseparability:** Services are produced and consumed simultaneously. For example, a doctor's consultation is provided and consumed at the same time.
- Variability (Heterogeneity):** The quality of a service may vary based on who provides it, when, where and how. For example, the experience at a restaurant can differ based on the chef or the staff.

13. (i) Two steps of controlling highlighted in the case are:

- Comparing Actual Performance with Standards:** In this step, actual performance is compared with the standards. Such comparison reveals as to what extent the performance deviates from the standard. The company had planned to increase its profit margin by 30%, but due to theft by employees, the target was not achieved. This indicates that actual performance was compared with the set target, revealing a deviation.
- Taking Corrective Action:** : After detecting errors and defects in performance remedial actions are taken to prevent deviations in future. To address the issue of theft, the Board of Directors introduced a "zero tolerance" policy, installed CCTV cameras and

imposed penalties for violations, which are corrective actions to address deviations.

(ii) Objectives of Communication:

1. **Ensuring Clarity and Understanding:** Communication ensures that messages are clear, reducing misunderstandings and ensuring that information is correctly interpreted by the receiver. Senior managers communicated the zero-tolerance policy for theft and informed employees about the implementation of CCTV cameras.
 2. **Facilitating Decision Implementation:** Effective communication helps in conveying decisions and policies, ensuring smooth execution and compliance within an organisation. In the given case, communication helped ensure that employees followed the new policies and penalties were imposed accordingly.
 3. **Ensures Discipline and Accountability:** Controlling helps to minimise dishonest behaviour on the part of the employees by keeping a close check on their activities. The imposition of penalties on employees guilty of theft created a sense of accountability and discipline.
 4. **Facilitates Coordination:** Control facilitates coordination of the activities of various units. It provides unity of direction to all the departments. Through the Human Resource department, the controlling measures were integrated into the employee handbook, ensuring uniformity in policy enforcement.
2. **Reduces Wastage and Misuse of Resources:** Effective communication helps in implementing control measures, ensuring optimal use of resources and minimising losses due to wastage or misuse. It ensured that expensive products were safeguarded, reducing financial losses in XYZ Company.

(iii) Importance of controlling:

1. **Helps in Achieving Organisational Goals:** When the plans are made in the organisation these are directed towards the achievement of organisational goals and controlling function ensures that all the activities in the organisation take place according to plans. By

implementing controls like CCTV surveillance, the company aimed to prevent theft and improve profit margins.

