

COMMERCE (857)

Aims:

1. To develop an interest in the theory and practice of business, trade and industry.
2. To familiarise candidates with theoretical foundations, organising, managing and handling operations of a business firm.
3. To provide a study of the more important aspects of the commercial world.
4. To provide knowledge of the activities of commerce in the marketing of goods and services.

CLASS XI

There will be one paper of 3 hours duration of 100 marks divided into two parts.

Part 1 (30 marks) will consist of compulsory short answer questions testing knowledge, application and skills relating to elementary / fundamental aspects of the entire syllabus.

Part 2 (70 marks) will have **nine** questions out of which candidates will be required to answer **seven** questions and each question will carry 10 marks.

1. Nature and Purpose of Business

- (i) Definition and concept of business; classification of business activities.

Five to six popular definitions of business, highlighting different aspects of business, with a final conclusive definition. Characteristics of business. Classification of business: Industry and types of industries, Commerce.

- (ii) Business objectives and necessity.

Business objectives: economic; social; profit objective in detail with relevance to all the stakeholders. Necessity.

- (iii) Commerce: branches of commerce; economic basis of commerce.

Commerce and its nature, functions; importance of commerce. Branches of commerce - trade and aids to trade. Relationship between commerce, trade and industry. Economic basis of commerce.

- (iv) Human wants and their satisfaction; classification of wants, characteristics of wants.

Human wants - meaning and their importance towards satisfaction; classification of wants, characteristics of wants.

- (v) Division of labour: specialisation and localisation factors affecting labour.

Self-explanatory.

- (vi) Classification of human activities - economic and non economic.

Classification of human activities - economic and non-economic. Types of economic and non-economic activities.

Distinction between business, profession and employment.

2. Forms of Business Organisations

- (i) Sole trader - objective; formation; merits and demerits.

Meaning and definition of sole trader; characteristics of sole trader; formation; merits and demerits.

- (ii) Partnership - formation; features; types of partners.

Meaning and definition of partnership; formation of partnership firm; features of partnership firms; types of partners.

- (iii) Partnership - registration; dissolution under different circumstances.

Self-explanatory.

- (iv) Evaluation of partnership; merits and demerits.

Self-explanatory.

- (v) Comparison of sole proprietorship and partnership.

Self-explanatory.

- (vi) Joint-stock company: meaning; characteristics; merits and demerits; causes of popularity.

Meaning and characteristics of Joint-stock company. Distinction between companies and partnership firms; merits and demerits of companies. Causes of popularity.

- (vii) Types of companies - public and private companies - differences; advantages and disadvantages.

Types of companies: public and private companies - differences; advantages and disadvantages of both the types.

- (viii) Public enterprise - meaning; role and growth; forms of organisation. Departmental undertakings; Public Corporations and Government companies including public utility services.

Public enterprise - meaning; role and criticism. Growth of public enterprises. Forms of organization. Departmental undertakings; Public Corporations and Government companies including public utility services. (define and explain each of the forms).

Problems and suggestions for improvement.

- (ix) Co-operative forms of organisation - meaning; characteristics; formation. Different types of co-operatives.

Co-operative forms of organization - meaning; characteristics; formation. Distinctive advantages and disadvantages of this form.

3. Stock Exchange

- (i) Meaning and importance.
(ii) Functions and services.
(iii) Major Stock Exchanges in India (BSE, NSE, DSE, ASE) - types and locations.
(iv) Types of operators-Brokers, Jobbers, Bulls and Bears.

- (v) Terms used in Stock Exchange- ex-dividend, cum dividend, spot delivery, forward delivery.

Self-explanatory

4. Inland Trade

- (i) Channel of distribution: direct/indirect -factors influencing the choice of channel.

Channel of distribution: direct/indirect, meaning and definition along with functions. Factors influencing the choice of channel: product considerations; market considerations; company considerations; middlemen considerations (agent and merchant middlemen).

- (ii) Wholesale trade; necessity and objectives.

Meaning, definition, characteristics and necessity of wholesale trade.

- (iii) Services to retailer, customer and producer.

Self-explanatory.

- (iv) Survival or elimination of wholesalers.

Arguments for elimination of wholesalers and arguments against middlemen; both positive and negative sides need to be discussed critically.

- (v) Retail trade - necessity and objectives.

Retail trade - meaning, definition and characteristics of retail trade. Functions of retail trade. Distinction between wholesale and retail trade.

- (vi) Functions of retailers. Factors affecting the establishment of a retail outlet. Threat to small retailers - survival of small retailers.

Functions of retailers; types of retailers; factors affecting the establishment of a retail outlet; threat to small retailers - survival of small retailers (relevant real life industry examples can be helpful).

- (vii) Types of retail organisations - departmental store, chain store, mail order houses, tele shopping, franchise, consumer's cooperative stores including super bazaars.

Meaning, features, merits and demerits to be covered.

- (viii) Consumer protection: rights of consumers, methods of consumer protection.

Need for consumer protection; rights of consumers; methods of consumer protection; Consumer Protection Act, 1986.

- (ix) Documents used in home trade. Enquiry catalogues - invoice, debit note, credit note, cash discount and trade discount.

Documents and procedure used in home trade – inquiry; quotation; catalogues; order; invoice; debit note; credit note.

Price quotations - cash discount and trade discount.

- (x) Role of Chambers of Commerce and Industry.

Meaning of Chambers of Commerce and trade associations; distinction between Chambers of Commerce and trade associations; role and functions of Chambers of Commerce and trade associations in developing industry.

National level Chambers of Commerce - FICCI, CII, etc.

5. Foreign Trade

- (i) Meaning, difference between internal trade and external trade.

Self-explanatory.

- (ii) Characteristics of international trade.

Characteristics of international trade; problems of international trade; advantages and disadvantages of international trade.

- (iii) Export trade - objectives and purpose.

Meaning, definition and functions of export trade; objectives and purpose.

- (iv) Procedure of export trade.

Self-explanatory.

- (v) Import trade - objectives and purpose.

Meaning, definition and functions of import trade; objectives and purpose.

- (vi) Procedure of import trade.

Self-explanatory.

- (vii) Documents involved in international trade.

Documents involved in export trade, such as: indent, letter of credit, shipping order, shipping bill, mate's receipt, bill of lading,

certificate of origin, consular invoice, documentary bill of exchange (DA/DP), all need to be explained.

Documents involved in import trade, such as: import license, indent, letter of credit, documentary bill of exchange, bill of entry, bill of sight, port trust dues receipt, application to import, advice note, bill of lading, all need to be explained.

- (viii) Balance of payment. International financial institutions - WB, ADB, etc.

Balance of payment concept.

World Bank, International Development Association, International Finance Corporation, International Monetary Fund, Asian Development Bank; their functions, management, resources and financing criteria; their role in the development of any economy especially of the Indian economy.

6. Warehousing

- (i) Warehousing: meaning, objective, and necessity.

Self-explanatory.

- (ii) Functions of warehousing.

Self-explanatory.

- (iii) Types of warehouses - private; public; bonded and cold storage - meaning, advantages of each, documents used - warehouse receipt, warehouse warrant, delivery order.

Types of warehouses - private; public; bonded and cold storage – meaning and advantages of each. Documents involved in each. Essential features of an ideal warehouse.

7. Insurance

- (i) Insurance - objectives and purpose.

Insurance - meaning, objectives and purpose; Concept of re-insurance and double insurance.

- (ii) Risks in business - insurable and non-insurable.

Causes of business risk -- internal and external risks; risks in business - insurable and non-insurable - meaning and characteristics of both.

(iii) Principles of insurance.

Six fundamental principles to be explained: utmost good faith; insurable interest; indemnity; contribution; doctrine of subrogation; causa proxima.

Advantages of insurance: to businessman; to public and society.

(iv) Types of insurance: fire, marine, life insurance - methods of taking out policies, submission of claims.

Method of taking of each type of insurance policy; kinds of policies of each (like kinds of fire insurance etc.); settlement of claims under each.

Marine losses: total - actual constructive; partial - particular average loss and general average loss.

Distinction between fire, marine and life insurance.

(v) Functions of Life Insurance Corporation.

Meaning and definition of life insurance; procedure for taking life insurance; functions of Life Insurance Corporation of India.

(vi) Lloyds of London – insurance underwriter.

Concept of underwriting. Role of Lloyds of London.

Teaching and Learning Activities

1. Natures and Purpose of Business

Select a few products/services which students are familiar with. Distribute these to different groups and ask them to trace their origin, the various people and activities involved until these reach consumers. There after a discussion based on their experiences and findings should be arranged.

2. Forms of Business Organisation

Pay a visit, along with the class to a nearby business locality. Make a list of various business firms and classify them into sole-proprietorship, partnership, etc.

Explore a few establishments, which have changed from Sole proprietorship to Partnership and the reasons for the change. Make a list of all the joint stock companies in the same locality; find the proportion of public limited companies and private limited companies among them.

3. Inland Trade

Visit a wholesale market in the city and observe the modes of operation. Discuss with some retailers in the locality as to how they would be affected if the wholesalers were eliminated. Find out the proportion of large retailers to small retailers and the effect of the presence of large retailers on small retailers. Make a list of articles that are sold on hire-purchase basis and assess their popularity and mode of transaction.

Collect some blank samples of Invoices, Credit Notes, Debit Notes, etc. and let the students practice preparing some on the same lines.

Visit or read up about the Chambers of Commerce and Industry and find out the services provided by them.

4. Foreign Trade

Go through the local Yellow Pages and list the names of exporters and also find out which products are more popular in the export-market.

Discuss with the owner of a well-established export-house, the difficulties they face in export trade. Compare these with the difficulties faced by the traders in the home market.

Collect and display the documents used in foreign trade (like Indent, Letter of Credit, Bill of lading, Charter Party etc.)

5. Warehousing

If possible, visit a warehouse / cold storage facility and have a first hand experience of its method of operation.

6. Insurance

Collect newspaper clippings on the theme of insurance. Meet an LIC agent and discuss with him, the way he operates, canvasses about insurance, calculates premium, etc. Arrange for a lecture by an officer from the General Insurance Corporation on the methods of taking policies and submission of claims, etc.

Visit a nearby LIC Office to see how it handles the Life Insurance business. Collect literature on Lloyds, circulate it in the class, and then hold a discussion.

CLASS XII

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1. Corporate Organisation

- (i) Joint Stock Company: meaning and objectives.
- (ii) Formation of a Company.
- (iii) Promotion, meaning and role of promoters.
- (iv) Incorporation of Company.
- (v) Memorandum of Associations and Articles of Associations (excluding alterations) and distinction between the two documents.
- (vi) Filing of documents and registration.
- (vii) Certificate of incorporation.
- (viii) Communicating of business.
- (ix) Prospectus - its nature and importance, statement in lieu of prospectus.
- (x) Public and private companies and their comparative studies, privileges of private companies, private companies deemed to be public.
- (xi) Government companies: objectives, necessity, merits and demerits.
- (xii) Multinational Corporations - objectives and role, various forms - branches, subsidiaries, joint venture, franchise holders, turnkey projects, merits and demerits of multinational corporations.

Self-explanatory

2. Management Personnel

- (i) Board of Directors: number of directors, qualification of directors, vacation or disqualification of director.

Self-explanatory.

- (ii) Method of appointment of the directors.

Appointment of directors - method to be explained under different heads: by promoters; by members; by the board; by central government; by third party; by proportional representation.

- (iii) Powers and duties of directors; remuneration of directors.

Functions and powers of directors; duties of directors; remuneration to directors.

- (iv) Directors: full time/part time.

- (v) Managing Director: selection and power (**excluding** manager).

- (vi) Directors: removal as per Companies Act.

Managing Director - role; main features of an MD's position; difference between MD and full time director. Manager - definition; distinction between MD and manager. Removal of directors as per Companies Act.

3. Financing

- (i) Capital: different types for sole trader; partnership; joint stock.

Importance of finance for business. Capital for different types of business firms. Factors affecting capital plan for an industry. Fixed capital - meaning, factors affecting fixed capital. Working capital - meaning, factors affecting working capital.

- (ii) Sources of capital for Joint Stock Company. Different types of shares: equity, preference - their advantages and disadvantages.

Sources of capital – debt and equity; long and short term sources of funds.

Long-term sources of funds (equity shares, preference shares and retained earnings, Financial Institutions, public debt instruments); equity shares - different types, features, advantages and disadvantages; preference shares - features, advantages and disadvantages; distinction between equity

shares and preference shares. Retained earnings - merits and demerits.

Short-term sources of funds (public deposits, CB's, trade credit and other sources); distinction between shares and debentures.

Advantages and Disadvantages of various sources of funds.

- (iii) Loan capital; debentures - different types of debentures.

Debentures - meaning; distinction between shares and debentures; kinds of debentures; advantages and disadvantages of debentures.

- (iv) Financial institutions: IFCI; SFC; ICICI; IDBI; UTI; Mutual Funds - their working, merits and demerits.

Role of Developmental Financial Institutions (DFIs). Merits and demerits of DFIs. Aim of DFIs.

IFCI, SFC, ICICI, IDBI, UTI - functions, scope and forms of assistance of each; management and working of each.

Mutual funds: meaning and definition; types of mutual funds (open ended/ close ended). Income, growth and balanced mutual funds. Merits and demerits of mutual funds.

- (v) Commercial banks: services provided.

Role of commercial banks; types of bank deposits; fund and fee-based activities.

- (vi) Acceptance of deposits: different categories of deposits.

Public deposits - meaning; merits and demerits of public deposits.

- (vii) Lending: different types of lending.

Different types of lending: trade credit; instalment credit; factoring services; customer advances.

4. Management

- (i) Management: objectives and concept.

Concept of management. Meaning of management: as an activity; as a group; as a discipline; as a process.

- (ii) Definition of management, nature of Management - Science and Art.

Definitions of management: as a function; scientific school or classical definition; neo-classical or human relation definition; decision making and leadership concept; modern management (integration concept); nature of management - science and art.

- (iii) Characteristics of management.

- (iv) Importance of management.

- (v) Function of management: planning; organising; staffing; directing; controlling.

- (vi) Principles of management: nature of principles; need for principles.

Objectives or functions of management. Importance of management. Managerial functions - PODSCORB (planning, organizing, directing, staffing, coordinating, reporting and budgeting). Functions and sub-functions of PODSCORB; meaning, features, steps and importance of PODSCORB. Nature and principles of management; need for principles of management; Taylor's 5 scientific principles of management; Fayol's 14 principles of management; Universality of principles of management. Relevance of the principles of management in today's business scenario. Comparison of Taylor's and Fayol's principles.

5. Communication

- (i) Meaning and objectives.

Meaning, nature, objectives and importance of communication.

- (ii) Communication: barrier; elimination.

Barriers to communication. Overcoming barriers to communication.

- (iii) Communication: different methods; channels.

Methods or media of communication: written, oral; advantages and disadvantages of both methods. Differences between written and oral communication.

Channels of communication: formal communication, informal communication; advantages and disadvantages of both channels. Meaning of and differences between formal and informal communication.

- (iv) Principles of communication.

Principles of effective communication.

- (v) Need for rapid and efficient communication.
Role of e-mail, SMS, video-conferencing and other new technology initiatives.

Self-explanatory.

6. Marketing

- (i) Marketing: objectives; concept.

Meaning of markets and marketing. Concept of marketing: traditional or production oriented; modern or consumer oriented. Comparison between marketing and selling. Objectives of marketing.

- (ii) Marketing: importance; functions.

Importance of marketing. Functions of marketing: function of exchange; function of physical supply. Facilitating function.

- (iii) Advertising: meaning; objectives and functions.

Meaning of advertising; objectives and functions of advertising; role and importance of advertising; criticism of advertising.

- (iv) Advertising: different media.

Forms of advertising media: press, direct mail, outdoor advertising, audio-visual advertising.

Types/ forms of each. Factors affecting choice of advertising media. Comparative evaluation of advertising media.

- (v) Advertising agency: meaning, need and functions.

Advertising agency - functions; departments of an advertising agency.

- (vi) Sales promotion: relation with advertising.

Meaning of sales promotion. Objectives and functions of sales promotion. Types and techniques of sales promotion (use relevant examples of prevalent sales promotion schemes). Sales promotion relation with advertising.

- (vii) Salesmanship: meaning; objective.

Meaning and definition of salesmanship (or personal selling). Objectives of salesmanship. Importance of salesmanship; difference between advertising and salesmanship. Steps in personal selling.

- (viii) Qualities of a good salesman.

Qualities of a good salesman: physical qualities, mental qualities, social qualities, vocational qualities.

Teaching and Learning Activities

1. Corporate Organisation

Form a model of a Joint Stock Company in the school to run a business of selling Diwali/New Year Cards, storybooks, book binding, etc.

Make a list of public limited companies and private limited companies in a nearby business locality. Find out which of them have changed from a firm to a company and the reasons for the change. Visit the Registered Offices of a few companies, have a look at their Memorandum and Articles of Association, Prospectus, etc. Assess their size, line of activity, number of employees, etc. If necessary, similar information may be collected from newspapers and business publications.

From the news media, (Economic Times, Financial Times, television, etc.) find out the trend of multinational companies entering into India. Interview some well-established sole traders and partners of firms to know their fears of these multinationals.

2. Management Personnel

Display a chart on three levels of the school management on a bulletin board.

3. Financing

Students should collect advertisements of different types of shares, debentures and deposits floated by joint stock companies.

Encourage pupils to open their own bank accounts and scrutinise the operation from time to time.

4. Management

Use a simulation game, concerning management decision-making. As managers, students could organise a school annual function / sports meet, passing through the five functions of management. Prepare a report and present it to the class. School canteen management may be taken up by students under the supervision of a teacher, where all managerial activities throughout the year are done by them in rotation, giving everybody a chance to participate.

5. Communication

Use a bulletin board to show the communication process; role-play by students to show the process of communication - downward and upward, formal and informal, will be very beneficial. A panel discussion on barriers in communication and their elimination should be arranged.

6. Marketing

Display a comparison of selling and marketing and functions of marketing on the bulletin board. Clippings showing advertisements and examples of publicity of some business organisations from magazines and newspapers can also be displayed. Taking four important methods of advertising and selecting two specific advertisements in each, ask students to find out their benefits to manufacturers, to consumers and to society.

Students can be asked to collect material on various activities of sales promotion and display it in the class.

Invite one or two salesmen to talk on 'Personal Selling'. A demonstration by a salesman may also be arranged.