

**S. CHAND'S**

**Revised  
Edition**

# ISC Commerce

**VOLUME-I**

**FOR CLASS XI**



**Dr. C.B. GUPTA**

**S. Chand's**  
**ISC COMMERCE**

**VOLUME - I**

**FOR CLASS XI**

**According to the New ISC Syllabus**

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**S. CHAND  
SCHOOL**



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## PREFACE TO THE REVISED EDITION

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I am deeply indebted to the students and teachers who have patronised this book. Their overwhelming response and widespread appreciation have encouraged me to undertake a thorough revision of the book. I have thoroughly revised and updated this book in the light of the new syllabus. Model test papers have also been revised so as to meet fully the requirements of the new syllabus. Question Bank has been enlarged at the end of each chapter to help the students prepare for the annual examinations. The following topics have been added in this edition:

- One Person Company (OPC)
- Social Responsibilities under the Companies Act, 2013
- Cooperative vs. Partnership

Hints for completing the suggested projects are given at the end.

I am sure the revised edition will be more useful to my esteemed readers. Suggestions for further improvement of the book are welcome.

**Dr. C.B. Gupta**

## PREFACE TO THE FIRST EDITION

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This book has been designed as a textbook strictly according to the latest syllabus for class XI of the Indian School Certificate (ISC) Examinations. Some of the distinctive features of the book are as follows:

- (i) Comprehensive coverage of the prescribed syllabus.
- (ii) Up-to-date and precise treatment of the subject.
- (iii) Tables and diagrams to illustrate the text.
- (iv) Learning objectives to indicate the topics covered in every chapter.
- (v) Summary at the end of each chapter to facilitate quick revision.
- (vi) Typical questions for self-examination.
- (vii) Lucid, simple and conversational language.
- (viii) Question Bank at the end of each chapter.

I am grateful to Shri Rajendra Kumar Gupta, Managing Director and Shri Ravindra Kumar Gupta, Director of S. Chand & Co. Ltd. for the elegant publishing of the book at a short notice. I am also thankful to Shri P.N. Grover, Sales Manager and Shri R.S. Saxena, Advisor, S. Chand & Co. Ltd. for their wholehearted cooperation. Suggestions for further improvement of the book are welcome and shall be gratefully acknowledged.

**Dr. C.B. Gupta**

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## AN OPEN LETTER TO THE STUDENTS

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*Dear students,*

My aim in writing this open letter to you is to help you achieve success in the examination. I believe that success in examination is not a matter of hard work alone. Examination is a technique and you should master this technique for best results. Many a times, I have observed with great sorrow that many hard working students fail to secure good marks despite “burning the midnight oil”. What is important is not simply how much you study (time) but also how you study (method). As a teacher and examiner for more than four decades I have gained useful experience which I want to share with you. Some do’s and don’t’s for success are given below:

1. Always be regular and punctual in the class. You will have to study for hours together what you can learn in just 45 minutes in the classroom.
2. Devote a couple of hours daily to read and revise what has been taught in the class. This will put the topic in your sub-conscious mind. Students who mug up the entire course in just two-three months seldom fare well in the examination.
3. When you are preparing for the examination, prepare very brief notes jotting down the main points for each topic. Emphasise conceptual clarity and learn the basic concepts or key words. Go through the previous years’ question papers to find out the nature and type of questions asked in the examination.
4. The day previous to the examination, read these brief notes. Avoid reading the book at this juncture as it may create mental tension and examination fever.
5. Read the question paper carefully and select the questions to be answered keeping in view the instructions given by the examiner.
6. Analyse each question carefully before answering it. Design your answer according to the requirements of the question. For example, if the question says “describe” you have to give the meaning and nature of the topic. But if the question says “discuss” or “explain”, you should give arguments both for and against the idea. Time spent in planning the answer is a worthwhile investment.
7. Divide your answer into suitable paragraphs. Use a separate paragraph for each point. Do not write long and uneven paragraphs.
8. In the first paragraph, show to the examiner that you understand the question. Give pertinent answers without beating about the bush.
9. Give brief and pointed answers. Don’t stretch the answers too much.
10. Wind up your answer by summing up the main points or giving your final opinion in the concluding paragraph. Remember, the last impression influences the examiner’s marking.
11. Divide your time logically among different questions. Do not devote too much time to the first question at the cost of the last question. When the examiner indicates all questions carry equal marks, he expects you to devote equal time and attention to every question.
12. In answering questions requiring your opinion, give views on both sides and then give your own judgement.
13. As far as possible don’t use the first person. The third person, *e.g.*, “It may be said in conclusion”, etc., is considered more appropriate.
14. Before submitting your answer book check up your roll no. and have a quick glance through your answers.
15. After coming out of the examination hall, forget about the paper you have done. Think about the next paper only.

With these ideas, I place this book in your hands. You are the best judge of its quality. Please feel free to write your frank opinions/suggestion to me. Your views will help me in making improvements in the subsequent editions.

With best wishes

Yours Sincerely  
**Dr. C.B. Gupta**

# NEW ISC SYLLABUS OF COMMERCE FOR CLASS XI

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## 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.

There will be **two** papers in the subject.

**Paper I - Theory: 3 hours .... 80 marks**

**Paper II - Project Work .... 20 marks**

### **PAPER - I (THEORY) – 80 MARKS**

**Part I (20 marks)** will consist of **compulsory** short answer questions testing knowledge, application and skills relating to elementary/fundamental aspects of the entire syllabus.

**Part II (60 marks)** will consist of **eight** questions out of which candidates will be required to answer **five** questions, each carrying 12 marks.

## **1. Nature and Purpose of Business**

- (i) Classification of human activities - economic and non economic.  
*Classification of human activities - economic and non-economic. Types of economic activities. Distinction between business, profession and employment.*
- (ii) Definition and concept of business; classification of business activities.  
*Definition of business. Characteristics of business. Classification of business activities:*
  - (a) *Industry: types of industries on the basis of activity (primary and secondary) and on the basis of size (micro, small, medium and large).  
Role of small businesses in India.*
  - (b) *Commerce: branches of Commerce. Commerce - its nature and functions; importance of Commerce. Branches of Commerce - trade and aids to trade. Relationship between commerce trade and industry.*
- (iii) Business objectives.  
*Business objectives: economic; social; human and national. Role of Profit in business.*

## **2. Forms of Business Organisations**

- (i) Introduction to business organizations.  
*Meaning, characteristics, types (private sector, public sector, Public Private Partnership (PPPs)/ Joint Sector). Comparison between different types of organizations.*
- (ii) Sole trader - objectives; formation; merits and demerits.  
*Meaning and definition of sole trader; characteristics and objectives of sole trader; merits and demerits.*
- (iii) Partnership
  - (a) Meaning, features; types of partners and partnership firms.  
*Meaning and definition of partnership; features of partnership firms; types of partners and partnerships.*
  - (b) Registration of Partnerships firms.  
*Formation, meaning and contents of partnership deed; registration and consequences of non registration.*

- (c) Evaluation of partnership; merits and demerits.  
*Self-explanatory.*
- (d) Comparison of sole proprietorship and partnership.  
*Self-explanatory.*
- (iv) Corporate Organisations
  - (a) *Joint Stock Company*: meaning, features, merits, demerits and objectives.
  - (b) *Stages of Formation of a Company*.
  - (c) *Promotion, meaning, role and types of promoters*.
  - (d) *Incorporation of a company - Meaning and steps of incorporation (including filing of documents), certificate of incorporation*.
  - (e) *Memorandum of Association and Articles of Association (excluding alterations) and distinction between the two documents*.  
*Meaning and contents of MOA and AOA. Distinction between the MOA and AOA.*
  - (f) Commencement of business.  
*Steps, Certificate of Commencement.*
  - (g) *Prospectus and statement in lieu of prospectus – meaning and contents only*.
  - (h) *Types of companies- Classification of companies on the basis of mode of incorporation, liability of members, public interest, ownership, control and nationality*.  
*Public and private companies and their comparative studies, privileges of private companies.*
  - (i) *Global enterprises – Meaning, characteristics, merits and demerits of Global Enterprises*.
- (v) Public Sector Undertakings.
  - (a) Meaning; characteristics, objectives, role and forms of Public Sector Undertakings (Departmental Undertakings, Public Corporations and Government Companies).  
*Public Sector Undertakings – meaning; characteristics, objectives, role and criticisms. Forms of Public Sector Undertakings (Departmental undertakings; Public Corporations and Government companies – definitions, features, merits and demerits).*
  - (b) Public Private Partnerships.  
*Meaning and features of PPPs.*
- (vi) Cooperative organisations - meaning; characteristics and types.  
*Cooperative organizations - meaning; characteristics, advantages and disadvantages; Types of cooperative organizations, distinction between joint stock companies and cooperative organizations.*

### 3. Social Responsibility of Business and Business Ethics

Concept and need for social responsibility.  
*Responsibility towards owners, investors, consumers, employees, government and community; Responsibility of business towards protection of environment; Meaning and importance of Business ethics.*

### 4. Emerging Modes of Business

- (i) E-business.  
*Scope and benefits, Resources required for successful e-business implementation, online transactions, payment mechanisms, security and safety of business transactions.*
- (ii) Outsourcing.  
*Concept, need and scope of BPO and KPO.*
- (iii) Smart Cards.  
*Meaning and utility.*

### 5. 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.
- (vi) SEBI – functions and objectives.  
*Self-explanatory*

## 6. Trade

- (i) Wholesalers.  
*Meaning and services of wholesaler to retailer, customer and producer.*
- (ii) (a) Retail trade – Meaning and characteristics.  
*Retail trade - meaning, characteristics of retail trade. Distinction between wholesale and retail trade.*
- (b) Types of retail trade - Itinerant and small scale fixed shops: departmental store, chain store, mail order houses, tele shopping, franchise, consumer cooperative stores, hypermarkets and automatic vending machines.  
*Meaning, features, merits and demerits to be covered.*
- (c) Documents used in home trade.  
*Documents and procedure used in home trade – inquiry; quotation; catalogues; order; invoice; debit note; credit note.*  
*Price quotations - cash discount and trade discount.*
- (iii) Role of Chambers of Commerce and Industry and Trade Associations.  
*Meaning and functions of Chambers of Commerce and trade associations.*

## 7. Foreign Trade

- (i) Meaning, difference between internal trade and external trade.  
*Meaning and characteristics of international trade; problems of international trade; advantages and disadvantages of international trade.*
- (ii) Export trade – Meaning, objectives and procedure of export trade.  
*Self-explanatory.*
- (iii) Import trade – Meaning, objectives, purpose and procedure.  
*Meaning and functions of import trade; objectives, purpose and procedure.*
- (iv) 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.*
- (v) World Trade Organisation.  
*WTO-meaning and objectives.*

## 8. Insurance

- (i) Insurance – Meaning, objectives and purpose  
*Meaning, objectives and purpose of insurance; Concept of re-insurance and double insurance.*
- (ii) Risks in business - insurable and non-insurable.  
*Risks in business - insurable and non-insurable - meaning and examples of both. Characteristics of insurable risks.*
- (iii) Principle of insurance.  
*Fundamental principles to be explained: utmost good faith; insurable interest; indemnity; contribution; doctrine of subrogation; causa proxima. mitigation of loss.*
- (iv) Types of insurance: life and non life.  
*Types of insurance – life, health, fire, marine, motor, social and fidelity insurance (Meaning and importance only).*

**PAPER II - PROJECT WORK – 20 MARKS**

Candidates will be expected to have completed **two** projects from any topic covered in Theory.  
Mark allocation for **each** Project [10 marks]:

Overall format	1 mark
Content	4 marks
Finding	2 marks
Viva-voce based on the Project	3 marks

**A list of suggested Projects is given below:**

1. Select a daily use consumer product. Trace its origin right from the primary industry through the secondary and tertiary industries. Draw a flow chart to include all the business activities in its path from the producer to the consumer.
2. Assume you are starting a partnership firm with your friend/friends. Develop a business plan covering the following aspects:
  - Formation of this partnership firm – rules and steps that would be followed including the partnership deed.
  - Choice of types of partners involved and your justification for the same.
3. Select two infrastructure projects of public sector undertakings that have been recently commissioned. Analyze each project in terms of :
  - Objective
  - Profitability
  - Adherence to the time schedule for project completion.
  - Social utility
  - Conclusion.
4. Identity two Public Private Partnership projects.  
Find out:
  - The equity participation of both the partners.
  - Objectives of the partnership
  - Strengths both partners bring into the venture.
5. Select one consumer cooperative and one housing cooperative.  
For each of the cooperatives.
  - State the objectives.
  - The organizational structure.
  - Details of surplus distribution and the form of government support.
6. Study real life cases in which organizations did not show responsibility towards investors/ consumers/ employees/ government/ community. Take at least two such cases. For each case prepare a report based on the following:
  - A brief about of the case.
  - Different issues involved in the case.
  - Who was at fault and why?
  - What should the company have done to stand by the business ethics?
  - Do you agree with the company's viewpoint? Give reasons.
7. Document and analyze the Corporate Social Responsibility activities of a pharmaceutical company and a five-star hotel.  
Comment on the changing role assumed by Corporates towards business ethics and social responsibility in the last two decades.
8. Identify any trade association and chamber of commerce headquartered in your town/city. Study each in terms of :
  - Its objectives.
  - Services provided to members.
  - Help given to the business community.

9. Contact an insurance agent and collect information about 5 different types of life insurance policies provided by different companies. Include information as per details given below for every insurance plan and make a comparative analysis.
  - Premium of insurance
  - Terms of inclusions and exclusions of each policy
  - Term of the policy
  - Withdrawal of money from the insurance scheme (surrender / foreclosure)
  - Advantages/disadvantages of the plan
10. Study the BPO and KPO industry in India. Collect newspaper/magazine articles on BPOs and KPOs. Prepare a report highlighting:
  - Their contribution to the business community and the nation.
  - Their growth over the past 10 years in India.Comment on the social cost of such organisation.
11. Visit a company that is involved in e-business (which offers online services) or a consultancy, which helps in developing websites for such companies.  
Study different aspects they keep in mind while preparing business plans for e-business. Include information regarding the payment mechanisms, security and safety of business transactions. The risks involved in e-business should also be covered. Also include the steps they follow while implementing the plan and starting the business.

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