

ICSE Paper 2013 Commercial Studies

(Two Hours)

Answers to this Paper must be written on the paper provided separately.

You will **not** be allowed to write during the first **15** minutes.

This time is to be spent in reading the Question Paper.

The time given at the head of this Paper is the time allowed for writing the answers.

Attempt **all** questions from **Section A** and **any four** questions from **Section B**.

The intended marks for questions or parts of questions are given in brackets [].

Section-A (40 Marks)

(Attempt **all** questions from this Section)

Question 1:

Distinguish between:

- (a) Variable Cost and Semi-Variable Cost. [2]
- (b) Savings Account and Current Account. [2]
- (c) A Private Warehouse and a Public Warehouse. [2]
- (d) A Production Budget and a Sales Budget [2]
- (e) A Brand and a Grade. [2]

Answer:

(a)

Variable Cost	Semi-Variable Cost
1. Variable costs are those costs which vary in amount which changes in the level of output or activity. Such costs increase and decrease in same proportion in which the level of output increases or decreases.	Semi variable costs are those costs which vary but not in direct proportion to changes in the volume of production. They are a combination of fixed and variable costs.
2. Ex: Direct material cost, Direct labour cost.	Ex: Telephone charges – Rent remains fixed upto a limited no. of calls and variable with calls made thereafter.

(b)

Saving Account	Current Account
1. To develop habit of saving.	To carry on business dealings.
2. Restrictions on number of withdrawal.	No restrictions on number of withdrawals.

(c)

Private Warehouse	Public Warehouse
1. Private warehouses are owned by manufacturers and traders to store the goods produced or purchased by them until they are sold out.	Public warehouses may be owned by Government, Public trusts and other public authorities.
2. Private warehouses are generally located in rural and suburban areas where space is available at low cost.	Public warehouses are located in places which are well connected by roads, railways, waterways and air ways.

(d)

Production Budget	Sales Budget
1. It contains an estimate of the total production of a specific period of time.	It is a forecast of sales to be achieved during a specific period of time.
2. Production budget ensures sufficient stock for sales and to manufacture goods in the most economical manner.	Sales budget shows the breakup of total sales productive, territory wise and month wise.

(e)

Brand	Grade
It is a process of giving a different name to a particular product by which it is to be known and differentiated from the other similar products.	It is a process of sorting products according to their physical attributes. (i.e., shape, colour, size, quantity etc.)

Question 2:

(a) Give any two methods used for On-the-Job training. [2]

- (b) Explain 'Indirect Cost'. [2]
- (c) Why is gratuity given by an employer to an employee? [2]
- (d) What is Trademark? [2]
- (e) Give two examples of efficient and eco-friendly technology. [2]

Answer:

(a) Two methods of On-the job training are:

1. **Coaching:** Under this method the employee is trained on-the-job by his immediate superior.
2. **Job Rotation:** Under this method the employee is moved from one job to another at planned period of time. This exposure at different levels, makes the employee multi-dimensional.

(b) Indirect Cost: It refers to those expenses which are not directly absorbed or chargeable in the process of production, e.g., rent of a factory building.

(c) Gratuity is a time based benefit given to an employee when he leaves his employment after having worked under a specific employer for certain number of years. It is a voluntary payment made by an employer to his employees as a loyalty bonus who retires or leaves the service after a long period of time with a dedicated service record. It grants security to the employees against the risk of old age.

(d) Trade Mark: When a Brand name, mark or a symbol is legally registered it becomes a trade mark. Trade mark gives sellers exclusive rights to use the brand name or mark.

(e) Two examples of efficient and eco-friendly technology:

1. Energy efficient technology is a form of eco-friendly technology because with increasing amount of coal or oil being used, not only will exhaust them but also increases the rate of greenhouse gases. This is one main reason for adopting fuel efficient technology in almost all sectors of industry, which results in saving the natural resources for a longer time, providing alternate choice other than them.
2. Recycling is reusing substances or products. It is an efficient and environment friendly measures to conserve raw materials and nature, e.g., paper industry which turns waste paper into new paper products.

Question 3:

(a) State two expectations of Competitors or Associates from a business concern / enterprise. [2]

(b) Give any two suggestions to draw the attention of viewers to an advertisement of a

product / service marketed by your company. [2]

(c) Briefly explain the concept 'Marketing Research'. [2]

(d) What is meant by 'the Clearing House Function' of the Reserve Bank of India? [2]

(e) Explain the term Brand Equity. [2]

Answer:

(a) Two expectations of competitors from a business concern:

1. To adopt fair trade practices regarding price, quality and service.
2. To promote co-operation and healthy competition.

(b) Two suggestions to draw attention of viewers to an advertisement:

1. It should have an conviction value to attract the attention of the viewers, otherwise without being noticed it would be a wasteful expenditure.
2. A good advertisement should educate the people by providing adequate knowledge about the product or service, which could help the potential customers to reach a buying decision and ease the usage after buying it.

(c) Refer Ans. 4. (c), 2016.

(d) Clearing House Function of RBI: RBI settles the claims of commercial banks through a process of book entry in their respective accounts with RBI. It reduces the chances of financial crisis due to cash withdrawal when it is needed more.

(e) Brand Equity: It means the economic value associated with a brand strength to gain more and more brand loyalty. It gives an opportunity to capture and maintain a consistent market share. It provides stability to an organisation's sales volume and stands for a certain level of quality in a customer's mind.

Question 4:

(a) Distinguish between a Debit Card and a Credit Card. [2]

(b) State any two rights of a Consumer. [2]

(c) Write a short note on the Chipko Movement. [2]

(d) What do you understand by Audio-Visual Communication? [2]

(e) State two advantages of Road Transport over Air Transport. [2]

Answer:

(a)

Debit Card	Credit Card
1. The account holder must have money in his account.	The balance in the account is not necessary.
2. As the card holder uses his own money.	As the card holder is granted credit by the bank up to a specific limit, on which interest is payable.

(b) Rights of Consumer:

1. **Right to Safety:** This right protects the customers against the sale of goods which are hazardous to life and property, e.g., electrical equipments, gas cylinders etc.
2. **Right to be heard:** The consumer is free to register his complaint regarding the product at appropriate forums.

(c) Chipko Movement: It is a tree-embracing movement started in April 1973 in Mandal Village in Uttarakhand against felling of trees by forest contractors. It is a spontaneous peoples movement started by the village women based upon nonviolent resistance reflecting awareness of the local people against environmental degradation. Mr. Chandi Prasad Bhatt and Mr. Sunderlal Bahuguna led the movement from the front.

(d) Audio-Visual Communication: Audio visual communication combine both sound and visual effects. The information presented through this mean gives an interesting and attractive form to it, with a greater memorising value.

(e) Advantages of Road Transport over Air Transport:

1. **Door to Door Service:** Road transport provides complete service by loading the goods at Consignor's place and unloading them at the consignee's place. There is also no need to wait for full load shipment.
2. **Feeder Service:** Motor vehicles carry goods to terminal points e.g., air ports, railway station, sea ports. They are also used for carrying goods to outlying villages which are not connected by airways or railways.

Section – B (40 Marks)

*(Answer **any four** questions from this section)*

Question 5:

- (a) Differentiate between Shareholders and Creditors as Stake holders of a commercial organisation. [5]
- (b) Distinguish between oral communication and written communication. [5]

Answer:

(a)

Shareholders	Creditors
1. Take part in policy decisions.	Do not take part in policy decisions.
2. Receives share in the profits as dividend.	Receives only interest on their loan.
3. They are internal stakeholders.	They are external stakeholders.
4. They share the risk of loss.	They do not or share less risk of loss.
5. They invest capital in the form of share capital in the company.	They only give loan to the company for a specific period of time.

(b) Refer Ans. 1. (a), 2016.

Question 6:

(a) How can environment values and ethics be protected? Give reasons to support your answer. **[5]**

(b) Explain the different sources of Internal Recruitment. **[5]**

Answer:

(a) Moral principles guiding environmental affairs are called environmental values or ethics. It is concerned with our duty towards our planet.

Environmental ethics and values can be developed in children by parents, teachers and social activities.

1. Awareness and education about the importance of ecology and its conservation should be taught to the students.
2. Values are developed more through example and influence than through classroom teaching. The biographies of great men and women can inspire students to become value oriented.
3. Short stories, film shows and other audio-visual material for students and teachers are also useful.
4. Suitable training programmes for teachers and parents can be held to enable them to provide value education to young men and women.
5. All school teachers must be considered as teachers of value education. All subjects must be used to inculcate right values in students.

(b) Internal Sources of Recruitment:

1. **Promotion:** This means upgrading an employee to a position of greater responsibility and more salary on the basis of employee's seniority, merit, job knowledge and career record.
2. **Transfer:** This involves shifting of an employee from one job or branch to another without changing the profile and salary. It is used to fill the vacancy at the place to which the employee is transferred.
3. **The employment:** This refers to employing the employees who served the organisation in the past but have retired or have quit voluntarily.
4. **Apprentices:** Persons working as apprentices in the company may also be hired whenever a vacancy exists.
5. The existing employees can recommend their relatives or friends about the existing vacancy.

Question 7:

(a) Explain the Experimentation method of Marketing Research. [5]

(b) 'Budgets are very useful in Management'. Justify. [5]

Answer:

(a) Experimentation Method of Marketing Research: Under this method consumer's behaviour, their characteristics, facts on market condition, various forces operating in the market and market trends is analysed.

Under this experimentation method, a control market is established in which all forces except those being tested are kept under check and reactions are recorded under controlled conditions to test a theory. It is based on an assumption that small scale experiment will furnish valuable information about a large scale marketing programme.

(b) Importance of Budgets in management: Budget are' prepared on the basis of forecasts, so it gives a sound foundation to the management to think about future. It is based on the objectives to be achieved and a detailed plan of future action which makes the daily operation of a firm easy and smooth. Budgets bring efficiency and economy in the working of a business firm, by making optimum use of the available resources. It promotes the sense of responsibility among the managers, as everybody has a fixed plan of future action to be accomplished. Budgeting inculcates the team spirit which leads to uniformity of policies and united action. It is an important tool of management control, as the output can always be compared to the set standards.

Question 8:

(a) Distinguish between the Principle of Indemnity and the Principle of Insurable Interest. [5]

(b) Explain the role of Commercial Banks in the Economic Development of a country. [5]

Answer:

(a)

Principle, of Indemnity	Principle of Insurable Interest
The word indemnity means security against loss. It implies a promise to compensate in case of a loss, except life insurance. The insured will be compensated only upto the amount of loss suffered by him. The insured party cannot make a profit out of this insurance contract.	Every insured person must have a monetary interest, without which no insurance contract is valid legally. A person is said to have an insurable interest in the subject matter insured, if he is benefitted by its existence and suffers a loss by its destruction.

(b) Role of Commercial Banks in the Economic Development of a Country:

Banks mobilise small savings of the public and channelise those savings into productive purpose. This increases the flow of money in any economy, which is the life good of its growth.

The role of commercial banks in economic, development rests chiefly on their role as financial intermediaries. In this capacity, commercial banks help drive the flow of investment through out the market place through several forms of lending.

It helps an individual to start his business by providing capital and necessary information and then helps in running the business and expanding it by supplying credit as and when required. The aggregate effect of business activity generates employment around the country, and promotes self dependency or financial independence.

It also helps the government of a country by financing to general welfare programmes for the benefit of the country. It also helps in transfer of funds from one place to another and help in the settlement of debts which in result promotes trade. Thus banks are the life blood of commerce and holds a significant position in the modern economy of any nation.

Question 9:

(a) Briefly explain any five factors a businessperson would consider while selecting an appropriate media to advertise his/her product. **[5]**

(b) What do you understand by 'Group Insurance'? State any three features of Group Insurance. **[5]**

Answer:

(a)

- 1. Nature of the Product:** The advertisement media should be in accordance with the nature of the product i.e., consumer goods or industrial goods.

2. **Target Customers:** Selection of media depends upon the type of target customers to be approached. The target customers are rural, urban or illiterate, males or females etc.
3. **Cost of Advertisement:** If the cost of advertising is lower, it may be adopted by small business enterprises. Costly advertising media will be suitable for enterprises of bigger size.
4. **Nature of the Market:** Fairs and exhibitions, outdoor displays and films are more useful for advertising in local markets. On the other hand, newspapers, radio and T.V. are more appropriate for advertising on a national level.
5. **Life of Advertisement:** Long life advertisements can better be conveyed through magazines, outdoor displays and direct mail. Short advertisements should be transmitted through newspaper, radio and T.V.

(b) Group Insurance: It is a scheme which provides insurance to many people under one insurance policy. It is generally provided to the employees working under one employer.

It is very economical for the employees, in terms of premium payable, as it is very less, due to the government support which encourages it as a strong tool of social security. The three main features of it are as follows:

1. Insurance provides risk coverage to the employees as long as they remain in the service of the employer.
2. It is a contract between the insurance company and the employer.
3. The premium is generally paid jointly by the employee and the employer.

Question 10:

From the following Trial Balance of Shri Rai Bahadur, prepare Trading, Profit & Loss Account for the year ending 31st March, 2012 and Balance Sheet as on that date. **[10]**

Trial balance

<i>Particulars</i>	<i>Amount</i>	<i>Particulars</i>	<i>Amount</i>
	₹		₹
Drawings	4,240	Capital	32,000
Purchase less returns	15,610	Sales less Returns	34,176
Rates and Taxes	388	Sundry Creditors	4,422
Salaries	1,612		
Lighting & Heating	164		
Electric Power	384		
Commission	414		
Insurance	206		
Advertising	214		
Bad Debts	62		
Postage, Telegrams, etc.	826		
Carriage	754		
Opening Stock	6,160		
Wages	7,962		
Land & Building	15,840		
Plant & Machinery	4,034		
Furniture & Fittings	378		
Sundry Debtors	6,082		
Cash at Bank	5,268		

The closing stock on 31st March was valued at ₹ 8,760.

Answer:

Dr.

Trading, Profit and Loss A/c
for the year ending 31st March, 2012

Cr

<i>Particulars</i>	<i>Amount</i>	<i>Particulars</i>	<i>Amount</i>
	₹		₹
To Opening Stock	6,160	By Closing Stock	8,760
To Carriage	754	By Sales	34,176
To Wages	7,962		
To Purchase	15,610		
To Gross Profit c/d	12,450		
	42,936		42,936
To Rates and Taxes	388	By Gross Profit b/d	12,450
To Salaries	1,612		
To Lighting & Heating	164		
To Electric Power	384		
To Commission	414		
To Insurance	206		
To Advertising	214		
To Bad Debts	62		
To Postage and Telegram	826		
To Net Profit c/d	8,180		
	12,450		12,450

Balance Sheet
(as on 31st March, 2012)

<i>Liabilities</i>	<i>Amount</i>	<i>Assets</i>	<i>Amount</i>
	₹		₹
To Capital	32,000	Land and Building	15,840
Less : Drawing	4,240	Plant and Machinery	4,034
	27,760	Furniture and Fittings	378
Add : N/P	8,180	Cash at Bank	5,268
To Creditors	4,422	Closing Stock	8,760
	40,362	Debtors	6,082
	40,362		40,362