

# ICSE Paper 2015 Commercial Studies

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**(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 [ ].

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## Section-A (40 Marks)

*(Attempt all questions from this Section)*

### Question 1:

Distinguish between:

- (a) Advertising and Publicity. [2]
- (b) Stakeholders and Customers. [2]
- (c) Marketing and Sales. [2]
- (d) Controllable Costs and Uncontrollable Costs. [2]
- (e) The Central Bank and a Commercial Bank. [2]

**Answer:**

#### (a) Difference between Advertising and Publicity:

1. Advertising is related to only commercial information to the public while publicity may or may not be related with the communication of commercial information.
2. Advertising aims only economic benefits while publicity aims both social and economic benefits.

#### (b) Differences between Stakeholders and Customers:

Stakeholders	Customers
1. They have financial stake in business.	1. No business stake.
2. Stakeholder do not buy goods or services from the organisation.	2. Customers buy goods or services from the organisation.

#### (c) Differences between Marketing and Sales:

1. Marketing is customer oriented, whereas selling is product oriented.
2. The main aim of marketing is to earn profits through maximum customer satisfaction whereas selling aims at earning maximum profits by increasing the volume of sales.

(d) The cost which can be easily and effectively controlled by the person responsible at organization level are termed as **controllable costs**. On the other hand, the costs which cannot be easily and effectively controlled by-the person responsible are termed as **uncontrollable costs**.

(e)

Central Bank	Commercial Bank
1. It is owned by the Government.	1. It is generally-owned by the shareholders.
2. Its aim is to serve the country's interest.	2. Its aim is to earn profit.

**Question 2:**

- (a) What is meant by "Recruitment"? [2]
- (b) Give any two advantages of advertising by Television. [2]
- (c) Briefly explain the term "Insurance". [2]
- (d) Give two advantages of Marketing Research. [2]
- (e) What is meant by Environmental Ethics? [2]

**Answer:**

(a) Recruitment involves searching for prospective employees and stimulating them to apply while selection involves comparing and choosing suitable candidates.

(b)

1. On television, products can be demonstrated and their use can be explained.
2. Advertisement on television has to be repeated frequently.

(c) Insurance is a means of spreading risks. It involves pooling of risks. A group of people who are subject to an insurable risk contribute regularly and the fund so created is utilised to compensate those unfortunate few members of the group who actually suffer a loss due to some unexpected calamity. In this way, the loss of a few is shared by all members on an equitable basis. Insurance is a social device for pooling and dividing risks among a large number of persons.

(d)

1. Marketing research helps to measure market potential, characteristics of the market and share of the market for a particular firm or brand. It tells management where the company stands in industry.
2. Business firms can use marketing research to study changes in consumers' tastes and preferences. This information is helpful in making necessary improvements in existing products and in designing and developing new products.

**(e) Environmental Ethics:** Ethics is concerned with the principal of right conduct. It is the entire body of moral values and values are the language of ethics. Environmental values refer to the moral standards which people are expected to follow while interacting with nature and its resources. Environmental values make people environmentally conscious.

**Question 3:**

- (a) What is a Trade Union? [2]
- (b) Enumerate two types of Warehouses found in India. [2]
- (c) Explain the term "Budget". [2]
- (d) Give two advantages of Rail Transport over Road Transport. [2]
- (e) Name any two forms of Non-Verbal Communication. [2]

**Answer:**

(a) **Trade union** is the association of workers for maintaining and improving the conditions of their working lives and securing them a better status in the industry and the society. Workers form unions in order to resist employer's exploitation and protect and safeguard their interests.

(b)

1. **Private Warehouses:** These warehouses are owned by manufacturers and traders to store the goods produced or purchased by them until they are sold out. The expenses of constructing, maintenance and insurance of private warehouses are paid for the their owners. Private warehouses are generally located in rural and suburban areas where space is available at low cost.
2. **Public Warehouses:** Public warehouses may be owned by Government, public trusts and other public authorities. Any businessman can store his goods in these warehouses for some charge. Public warehouses are located in places which are well connected by roads, railways and water-ways/airways.

(c) A budget is a plan expressed in quantitative or monetary terms for a specific period of time, usually one year. It is a financial statement prepared prior to a defined period of time, of the policy to be purchased during that period for the purpose of attaining a given objective.

(d)

1. Railway transport is more suitable for carrying bulky and heavy goods whereas road transport is not suitable for this.
2. Rail transport remains relatively unaffected by rain, floods, fog etc. whereas road transport become affected.

(e)

1. **Proximics:** Use of interpersonal space in communication is known as proximics. When two persons purposefully maintain a distance between them while speaking to each other, it has a meaning. Proximics is an important part of non-verbal communication and it modifies the spoken words.
2. **Aural Communication:** Aural or auditory methods of communication are those which are heard. Bells, buzzers, horns, whistles, etc., are sources of aural communication. Aural communication methods are used in commercial organisations to locate staff.

**Question 4:**

- (a) Write a short note on Recurring Deposits. [2]
- (b) Briefly explain the term 'Pension'. [2]
- (c) Mention any two factors to be kept in mind while determining the price of a product. [2]
- (d) Give two measures to ensure the sustainable use of resources. [2]
- (e) State any two demerits of Advertising. [2]

**Answer:**

(a) **Recurring Deposit Account:** In this type of account, a customer is allowed to deposit a certain amount of money (say Rs. 10, 50, 500, etc.) every month for a specified period of time. At the end of the period, he is given the total deposit amount along with interest at the prescribed rate. Such an account is also called cumulative time deposit. Thus, a person can gradually save money for purchase of costly article, for education or marriage of children, etc. Withdrawal and cheque facilities are not available in this account. A pass book showing the installments deposited by the customer is issued.

(b) **Pension:** Under the Employees' Provident Funds and Miscellaneous Provisions Act, the Government of India has framed family pension scheme to provide family pension benefits to the employees. The scheme was launched with the objective of providing long term recurring financial assistance to the employee after retirement and to his family in case of premature death while in service.

(c)

1. To satisfy customers and to yield profits.
2. Determine the cost of the product, sales volume, degree of competition, Government regulations, etc.

(d)

1. **Sustainable Use of Water:**

- Encourage and improve traditional methods of rainwater harvesting and storage.
- Use drip irrigation and other water conservation measures in agriculture.
- Protect water in water bodies from effluents and toxic materials.
- Check over exploitation of surface and ground water.

2. **Sustainable Use of Energy:**

- Use alternative sources of fuel such as hydrogen, methanol, biogas, solar energy, etc.
- Develop fuel efficient and smokeless chullahs.
- Solar cooking does not burn any fuel and is the most eco-friendly option.
- Solar cookers help preserve forests, save foreign exchange spent on kerosene and cooking gas and to create employment opportunities.

(e)

1. Manufacturers and traders charge higher prices from consumers to recover the money spent on advertising.
2. Advertising is often deceptive and misrepresents facts to the consumer.

**Section – B (40 Marks)**

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

**Question 5:**

(a) Briefly explain the five main objectives of Marketing. [5]

(b) Explain any two methods of On-the-Job Training. [5]

**Answer:**

**(a) Five Objectives of Marketing:**

1. **Customer satisfaction:** The primary objective of marketing is to satisfy the needs of consumers by producing the right products and services at the right time, right place and right price. All marketing activities are guided by information concerning what customers expect from business. No business enterprise can survive and grow in the long run unless it provides full satisfaction to consumers.

2. **Profitability:** A business enterprise is an economic institution. It must earn profits otherwise it cannot survive and prosper. But profits should be achieved through customer satisfaction. According to Philip Kotler, "Now the key is not to aim for profits as such but to achieve them as a byproduct of doing the jobs well."
3. **Coordination and integration:** Marketing must aim at bringing about an effective coordination and integration between product, price, promotion and distribution. It must also ensure coordination between marketing and business activities such as manufacturing, finance, personnel, etc.
4. **Service to society:** Marketing should focus on improving the quality of living of people by providing a wide variety of quality products and services at reasonable prices. According to Malcom McNair, "Marketing is the creation and delivery of a standard of living to society". Marketing should also be oriented towards conservation of national resources and protection of environment.
5. **Creation of Demand:** A business firm can sell goods and services only when there are customers willing to buy them, therefore, the first purpose of marketing is to create demand for goods and services. For this purpose, marketing finds out the needs and preferences of customers.

**(b) On-the-Job Training (OJT):** On-the-job training is convenient and inexpensive. It provides first-hand job knowledge and experience under actual working conditions. However, the noise of the workplace may distract the attention of trainees and they may find it difficult to concentrate on learning.

Two methods for on-the-job training are given below:

1. **Job Instruction Training (JIT):** This is the most popular form of on-the-job training. It is also known as step-by-step training. It consists of the following steps:
  - Preparing the trainees by telling them about the job and overcoming their initial nervousness;
  - Presenting the instructions, giving the necessary information, interacting, illustrating and asking questions;
  - Letting the trainees try out the job or show their understanding;
  - Observing, try out and providing necessary assistance and follow-up.
2. **Apprenticeship Training:** Under this method, the trainees learn by working with those who are already skilled in their jobs. People who want to enter skilled trades (such as welder, plumber, electrician, machinist) are required to undergo apprenticeship training. In an apprenticeship programme, classroom training is given first and then the trainees try out the job under the guidance of a master worker. Classroom training focuses on theory and auxiliary skills. In job try-out the trainees gradually learn the skilled craft. An apprenticeship programme may run from 2 to 5 years.

**Question 6:**

(a) Distinguish between Capital Expenditure and Revenue Expenditure. [5]

(b) Explain any two principles of Insurance. [5]

**Answer:**

**(a) Distinguish between Capital Expenditure and Revenue Expenditure:**

1. **Earning Capacity:** Capital expenditure increases the earning capacity of the business whereas revenue expenditure does not increase the earning capacity as it is incurred for maintaining the existing earning capacity.
2. **Period of Benefit:** The benefit of capital expenditure extends to more than one year. But the benefit of revenue expenditure extends only to the current year.
3. **Accounting Treatment:** Capital expenditure is shown in the Balance Sheet as an asset. Whereas revenue expenditure is shown as an expense in the Trading Account or Profit and Loss Account.
4. **Nature:** Capital expenditure is of a non-recurring nature because such expenditure is not incurred every day. Whereas revenue expenditure is recurring in nature as it is incurred on day to day operations.
5. **Effect on Assets:** Capital expenditure leads to increase in the value of fixed assets. But revenue expenditure does not result in increase in the value of these assets.

**(b) Two Principals of Insurance:**

1. **Utmost good faith:** As contract of insurance is based on mutual trust and confidence. It means that each party to the insurance contract must disclose all the information which is likely to influence the other party's decision to enter into contract. The proposer knows better the facts relating to the risk. Therefore, he must disclose all material facts known to him. For example, in a contract of life insurance, the proposer must disclose his correct age, any chronic illness, etc. If he misrepresents or conceals certain facts, the insurance company can cancel the contract of insurance.
2. **Insurable Interest:** A person must have interest in the non-occurrence of the event being insured. He should stand in a position that he would benefit from the existence of the subject matter and would suffer a loss from its destruction or damage. For example, a person has interest in his life and property. But a person has no interest in the life or property of a stranger. This principle is based on the logic that no one should be allowed to make profit out of insurance.

**Question 7:**

(a) Explain any two Internal sources of Recruitment. [5]

(b) Explain any two functions of the Central bank of the country. [5]

**Answer:**

**(a)**

1. **Promotions:** Vacancies at higher levels may be filled up by promoting persons working at lower levels. For example, when the present sales manager of a company retires, one of the branch managers may be promoted as the new sales manager. Promotion involves shifting an employee to a higher post carrying a higher status and more salary.
2. **Transfers:** Transfer means shifting an employee from one factory, branch or office to fill vacancy in another factory, branch or office of the company. For example, shortage of sales persons in one branch may be met by transferring sales persons -from another branch. Transfer involves shifting an employee to a similar job without change in status and salary.

**(b) Two functions of the Central Bank of a country are:**

1. **Issue of currency notes:** One of the main function of a central bank is the issue of the legal tender currency notes. The central bank hold monopoly in issue of currency notes. This is necessary to keep uniformity in the note circulation of a country and to avoid the anomaly of over-issue by many banks which are established with the primary motive of earning profit; to confer on currency notes a distinctive prestige so as to command public confidence; and so forth.
2. **Credit control:** It is also a very important function of a central bank. A country can have foreign exchange stability and price stability only when the central bank of the country exercises its strict control on the credit granting capacity of the banking structure. Hence, credit control by the central bank is necessary. It controls qualitatively and quantitatively the credit granting capacity of the commercial banks.

**Question 8:**

**(a)** Give any five expectations of Creditors from a Business Enterprise. **[5]**

**(b)** State any five codes of conduct adopted in the field of Advertising. **[5]**

**Answer:**

**(a)** Five expectations of Creditors from a Business Enterprise:

1. A fair and regular return (in the form of dividend or interest) on their capital.
2. Capital appreciation in the value of their investment.
3. Accurate, up-to-date and regular information about the working and financial health of the company.
4. Return of loans in time in case of creditors.



5. A public image of the company for which they can feel proud.

**(b) Five codes of conduct adopted in the field of Advertising:**

1. Advertising should be so designed as to conform to the laws of the country and should not offend against morality, decency and religious susceptibilities of the people.
2. No advertisement shall be permitted which exploits the national emblems, or any part of the constitution, or the person or personality of a national leader or state dignitary.
3. No advertisement shall be permitted the object whereof are wholly or mainly of a religious or political nature; advertisements must not be directed towards any religious or political end or have any relation to any industrial dispute.
4. In all other respects, the Director General, Doordarshan will be guided for purposes of commercial telecasting in Doordarshan by the Code of Ethics for Advertising in India as modified from time to time.
5. Notwithstanding anything contained herein this Code is subject to such modifications as may be made/issued by the Government of India from time to time.

**Question 9:**

**(a)** What is meant by "Barriers to effective Communication"? Explain any four barriers. [5]

**(b)** Explain five main rights of consumers as provided in the Consumer Protection Act, 1986. [5]

**Answer:**

**(a)** Communication is essential for effective management. But it is not always as effective as it should be. Several obstructions, bottlenecks, hurdles or blockades hinder the process of communication. These are called barriers to communication.

Four barriers to communication are given below:

1. **Physical Barriers:** Physical distance between the sender and the receiver of the message is an important barrier to communication. Noise and environmental factors also obstruct communication. Mechanical barriers or defects in the equipments used for communication also cause distortion.
2. **Status Barriers:** Status means the position of a person in the hierarchy of an organisation. It is usually a major barrier in the free flow of information. A superior (boss) may pass only selected information to his subordinates in order to maintain status differences. Subordinates often convey only that information which the superior would appreciate. Thus, status may cause distortion in both downward communication and upward communication.

3. **Lack of Mutual Trust:** Communication becomes ineffective when there is lack of faith between the sender and the receiver. In such a situation transmission of information and ideas is not free. Emotional attitudes on the part of communicator and communicate also obstruct free flow of communication.
4. **Premature Evaluation:** Some persons tend to form a judgement or arrive at a conclusion before receiving the complete message. This tendency is known as premature evaluation. It distorts understanding and acts as a barrier to effective communication.

(b) The Consumer Protection Act provides for the following rights of consumer:

1. **The right of safety:** This is the right to be protected against the marketing of goods which are hazardous to life and property. There are various risks involved in the consumption and use of products, such as food, drugs, toys, electrical appliances, etc. For example, gas cylinder, if not sealed properly may cause injury or even death. The consumers have the right to get protection against such risks.
2. **The right to choose:** The consumer should be assured access to a variety of goods at competitive prices. This means the seller should not use aggressive selling techniques to sell the product to the consumer. There should be freedom to choose from alternative products. This requires free competition in the market. If enough varieties of products at competitive prices are available in the market, consumers have the opportunity to make a free choice.
3. **The right to be informed:** The consumer has the right to be informed about the quality potency, purity, standard and price of the goods he intends to purchase.
4. **The right to be heard:** The consumer has a right to register his dissatisfaction and get his complaint heard at appropriate forums. This right includes the right to make protest. The above three rights are meaningless without the right to be heard. Therefore, grievances and claims of consumers must be heard and considered.
5. **The right to seek redressal:** It means the right to get claims and complaints settled against manufacturers or sellers due to unfair trade practices and exploitation by them. The consumer has been granted the right of redress if the performance, quality, etc., of a product is unsatisfactory. The product must be repaired, replaced or taken back by the seller. The right to seek redressal will reduce post-purchase doubts and grievances of consumers.

**Question 10:**

Prepare a Trading, Profit & Loss Account and Balance Sheet of M/s Jindal Enterprises for the year ended 31st March, 2011 from the following Trial Balance.

The Closing Stock on 31st March was valued at Rs. 26,000. [10]

**Trial balance as on 31st March, 2011**

<i>Head of Accounts</i>	<i>Debit (₹)</i>	<i>Credit (₹)</i>
<i>Capital</i>		20,000
<i>Drawings</i>	1,500	
<i>Cash at Bank</i>	1,400	
<i>Purchases &amp; Sales</i>	22,000	45,000
<i>Returns</i>	2,000	1,000
<i>Discount</i>	400	
<i>Carriage Outwards</i>	600	
<i>Salaries</i>	6,000	
<i>Trade Expenses</i>	1,200	
<i>Opening Stock</i>	5,000	
<i>Bad Debts</i>	600	
<i>Rent</i>	1,500	
<i>Machinery</i>	36,000	
<i>Furniture</i>	5,000	
<i>Debtors &amp; Creditors</i>	5,000	10,000
<i>Stationery</i>	2,500	
<i>Commission</i>		300
<i>Bank Loan</i>		14,400
	<b>90,700</b>	<b>90,700</b>

Answer:

Dr.

**Trading and Profit & Loss A/c**  
(for the year ending 31st March, 2011)

Cr.

<i>Particulars</i>	<i>Amount</i>	<i>Particulars</i>	<i>Amount</i>
	₹		₹
To Opening Stock	5,000	By Sales	45,000
To Purchases           22,000		Less : Return	2,000
Less : Returns           1,000	21,000	By Closing Stock	26,000
To Carriage	600		
To Gross Profit transferred to Profit and Loss A/c	42,400		
	69,000		69,000
To Bad Debts	600	By Gross Profit transferred from Trading A/c	42,400
To Rent	1,500	By Commission	300
To Trade expenses	1,200		
To Discount	400		
To Stationary	2,500		
To Salaries	6,000		
To Net Profit	30,500		
	42,700		42,700

**Balance Sheet of M/s Jindal Enterprises**  
(as on 31st March, 2011)

<i>Liabilities</i>	<i>Amount</i>	<i>Assets</i>	<i>Amount</i>
	₹		₹
Capital                   20,000		Machinery	36,000
– Drawing               (1,500)		Furniture	5,000
+ Net Profit             (30,500)	49,000	Cash at Bank	1,400
Bank Loan	14,400	Debtors	5,000
Creditors	10,000	Stock	26,000
	73,400		73,400