

ICSE Paper 2013
COMMERCIAL APPLICATIONS

(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.

***Section A is compulsory.** Attempt **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:

Give one difference between each of the following:

- (a) Industrial goods and Consumer goods. [2]
- (b) Fixed assets and Current assets. [2]
- (c) Sales promotion and Publicity. [2]
- (d) Fixed deposit and Recurring deposit. [2]
- (e) Direct labour costs add Indirect labour costs. [2]

Answer:

(a)

Industrial Goods	Consumer Goods
It is not directly consumed by the customer, but is used in the production of some other product. e.g. – Machine	It is directly consumed by the ultimate consumers. e.g. — Soap.

(b)

Fixed Asset	Current Asset
Fixed Assets are assets which are acquired to use in the organization for a long period of time to help in the servicing or manufacturing process. The duration of fixed assets" is normally more than 5 years.	Current assets are an asset which can be easily convertible into rupees. It is also used to meet the daily expenditure of the company. The duration of current assets is normally 1 to 2 years.

(c)

Sales Promotion	Publicity
It refers to all those activities other than advertising that enhances consumer purchasing activities. These are non-recurring in nature. e.g. — Distribution of free samples.	Publicity means non-personal means of communication which has no sponsor and is not paid by any organisation. e.g. — Audio-Video material.

(d)

Fixed Deposit	Recurring Deposit
Fixed deposits are made (Single instalment) for a fix period and cannot be withdrawn before the expiry of the	In this the depositor is required to deposit a fixed amount every month for a fixed period of time.

period for which they have been deposited. The rate of interest depends upon the period of time.	
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(e)

Direct Labour Costs	Indirect Labour Costs
Labour which is directly consumed in the process of production. It is also known as productive or operating labour. e.g.—Wages	Labour which indirectly helps in the production process, which cannot be easily traced. e.g. —Salesman Salary.

Question 2:

- (a) What is Food Adulteration? Give an example. [2]
(b) Mention the elements of Public Relations. [2]
(e) Why should an Income and Expenditure Account be prepared? [2]
(d) Give two basic differences between Informative advertising and Persuasive advertising. [2]
(e) What are 'contingent liabilities'? [2]

Answer:

- (a) **Food Adulteration:** It means deliberate mixing of foreign particles of low quality which are undesirable in the food items, to increase the quantity.
e.g. —Mixing of stone pieces identical to Wheat, Rice and Pulses.
(b) **Public Relation Elements:** (1) Human Relations, (2) Empathy, (3) Persuasion, (4) Dialogue.
(c) Income and Expenditure account is prepared to know the surplus or deficit arising from the activities of a non-trading concern during a year.
(d)

Informative Advertising	Persuasive Advertising
1. Informative advertising is commonly used to drive “primary demand” for new product and service categories.	1. The goal of persuasive advertising is to drive selective demand for specific products or services.
2. It is used to emphasize the product name, product benefits and its possible uses to the prospective market.	2. It is used after product introduction to customers. Its main goal is to enhance selective demand for the product.

(e) Contingent Liabilities: These are those liabilities which become payable on the happening of an event.
e.g. — bills discounted but not matured, guarantee for a loan. These are also known as anticipated liabilities.

Question 3:

- (a) On the basis of ownership, distinguish between a Product and a Service. [2]
- (b) Explain in brief the term ‘Parity Pricing’. [2]
- (c) How does the Central Bank control credit through Statutory Liquidity Ratio. [2]
- (d) Explain the terms Surplus and Deficit in an Income and Expenditure Account. [2]
- (e) With reference to the Bhopal Gas Tragedy:
 - (i) Name the company responsible for the tragedy.
 - (ii) Identify the poisonous gas that caused this ghastly man made disaster. [2]

Answer:

(a)

Product	Service
Ownership of a product is transferable.	Ownership of service is not transferable.

e.g. — When a T.V. is bought, the ownership is transferred from the seller to a buyer.	e.g. — Taking house on a rent, won't transfer the ownership from the seller to you.
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(b) Parity Pricing: Parity Pricing concept that the selling price of a product or produce should go up in the same account as the prices of the inputs used in product. It means adjustment of price according to the competitors. It is best suitable for a highly competitive market.

(c) Statutory Liquidity Ratio (SLR): Statutory liquidity ratio refers to the amount that commercial banks require to maintain in the form of gold or government approved securities before providing credit to the customers. SLR is determined and maintained by the Reserve Bank of India in order to control the expansion of bank credit.

(d) Surplus: If the income of a non-trading concern exceeds over its expenditure, it is known as surplus.

Deficit: If the expenditure exceeds the income, it is known as deficit.

(e) (i) The company responsible for the Bhopal Gas Tragedy – Union Carbide India Limited.
(ii) Methyl Isocyanate (MIC).

Question 4:

Justify either **for** or **against** by giving two reasons for each of the following:

- (a)** Aggressive selling is the only way a company can survive in a highly competitive market. [2]
- (b)** Real costs must be recorded in the books of accounts. [2]
- (c)** Training reduces employee turnover. [2]
- (d)** Tea and coffee can be sold on sale-on approval or return basis. [2]
- (e)** Increased advertising in recent times has resulted in lower prices of newspapers. [2]

Answer:

(a) For: Yes, it is true because through aggressive selling only you can get more customers to exchange their money for your products and services by proving yourself superior among the competitors. To achieve this, new marketing and selling techniques are used to explore the needs of customers, to get their maximum satisfaction.

(b) Against: Real cost cannot be recorded in the books of accounts because value of this cannot be measured in terms of money. It means sacrifice, discomfort and pain involved in doing the business.

(c) For: Yes, training reduces employee turnover as it increases the efficiency of worker which boosts the morale of the employees. This ensures employee loyalty, long term growth and a lifetime association with the organisation.

(d) Against: Tea and coffee cannot be sold on sale on approval or return basis because under this arrangement of sale an individual or a company interested in purchasing a specific item is allowed to use the item for a given length of time. At the end of that time if the individual is satisfied with the item they agree to purchase otherwise it has to be returned, but in the case of tea and coffee nothing could be returned, after the consumption

(if not satisfied) and if, consumed partially it will be difficult to do the valuation of the consumed portion.

(e) For: Yes, increased advertising in recent times has resulted in lower prices of newspapers, as now a days advertising has become a great source of income for newspapers which has resulted in increase in its circulation.

Section – B (60 Marks)

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

Question 5:

(a) What are Overheads or Indirect expenses? Mention three types of Overheads with an example of each. [5]

(b) 'Intense competition in the corporate world has led to the emergence of advertising as a vital tool for corporate survival'. Do you agree with this statement? Support your answer by citing reasons. [5]

(c) Explain the following:

(i) Principle of Prudence.

(ii) Money Measurement Concept. [5]

Answer:

(a) Overhead or indirect expenses are those expenses which cannot be charged to production directly or cannot be identified with a specific product or job. These are incurred in planning and controlling the business operations.

Three types of overhead expenses are:

1. **Factory Overheads:** Consumable stores like Lubricants, Grease etc. used for the smooth working of machines.
2. **Office Overheads:** These expenses are incurred in the process of managing business Activities e.g. office rent, salary of office manager etc.
3. **Selling Overheads:** These expenses are incurred in selling and distribution of goods and services, e.g. advertising expenses, sales commission etc.

(b) Intense competition in the corporate world has led to the emergence of advertising as a vital tool for corporate survival because these days, there are several producers producing similar products, therefore the primary objective of advertising is to provide relevant information to the consumers about products and services. It also provides link between producers and consumers. With the help of convincing advertisement, a business firm can create demand for its products which facilitates mass distribution of goods. By creating brand loyalty, advertising helps to maintain sales and market-share.

(c) (i) Principle of Prudence: According to this convention all anticipated losses should be recorded in the books of accounts, but all anticipated or unrealized gains should be ignored, e.g. – Joint Life Insurance Policy is shown only at surrender value as against the amount paid.

(ii) Refer Ans. 8. (a) (ii), 2016.

Question 6:

- (a) What is the Penetrating Pricing Policy? Discuss its pros and cons. [5]
- (b) Elucidate the selection procedure for a vacancy in an organization. [5]
- (c) Briefly explain any five Consumer Rights. [5]

Answer:

(a) Penetrating Pricing Policy: According to this pricing policy, in the initial stage low prices are set-up to make the particular brand popular. This strategy is mostly used when there is strong potential competition in market and while launching fast moving consumer goods where demand is highly elastic and to restrict the entry of new competitors in the market. But at the same time the demand goes so high that it becomes difficult for the producer to meet it or the consumers think that the low price product are low in quality.

Pros:

1. Penetrating pricing yields high sales turn over and thereby offers the benefits of economies of scale.
2. A low initial price helps to restrict the entry of new competitors.
3. The product finds immediate acceptance in the market as common man can afford it.
4. Penetrating pricing can prolong the life of a product after the cream of the market has been skimmed.

Cons:

1. A low price may bring in so much demand which the producer may be unable to meet.
2. Consumers may interpret low price as a sign of poor quality.
3. It may be very difficult to increase the price when cost increases.
4. Low price may not yield adequate profit margin to the producer and the dealers.

(b) Selection Procedure:

1. **Preliminary Interview:** This is the first step in the process of selection which is conducted to know the minimum qualification, experience and age of the candidates.
2. **Application Form:** After qualifying Preliminary interview the candidates are asked to fill in the prescribed application form to get the written details of the candidates including his age, sex, address etc.
3. **Employment Test:** This is conducted to check the required skills in the candidates. These tests are based on the assumption that work behaviour of a person can be predicted by sampling it.

4. **Selection Interview:** It is a method of checking the information obtained through application and employment test, through face to face communication with the candidates. It also helps the candidate to acquire knowledge about the job details and the company.
5. **Checking References:** It is the process of verifying the names given by the candidate, of the people who knows about him, his previous job and his character.
6. **Medical Determination and Final Approval:** A medical test is conducted to ensure the physical fitness of the candidate which leads to the final approval. The finally approved candidate are issued appointment letters.
7. **Final Approval:** The candidates who are short listed after medical examination are finally approved by the head of the department in which they are to work. They are issued appointment letters and/or service agreement are made with them.

(c) Consumer Rights:

1. **The Right to Safety:** This right protects the consumers against the sale of goods which are hazardous to life and property.
e.g. Electrical appliances, Gas cylinders etc. Consumers must have assurance regarding quality, reliability and safety of the products.
2. **The Right to be informed:** The consumer must have the right to be informed about the full details of the product regarding its quality, price etc. This protects the consumers from deceptive advertising, inflated price etc.
3. **The Right to Choose:** According to this right the consumer should be free to choose from alternative products, through free competition.
4. **The Right to be heard:** The consumer is free to register his complaint regarding the product at appropriate forums.
5. **The Right to Consumer Education:** According to this right, the consumer should be made aware of his rights and remedies available under the law.

Question 7:

- (a) Describe the procedure adopted for opening a Saving Bank Account with a Commercial Bank. [5]
- (b) Briefly explain any five factors responsible for the destruction of the eco system. [5]
- (c) List the advantages and disadvantages of using radio services as a form of advertising media. [5]

Answer:

(a) Procedure for Opening a Saving Bank Account:

1. **Application in the Prescribed Form:** These forms are provided by banks for opening different types of accounts. In these the person willing to open an

account should furnish full details about his name, occupation, permanent and official address, specimen signature etc.

2. **Introduction of the Applicant:** Introduction of the applicant by an existing account holder in the bank to ensure the identity of the applicant. Existing account holder needs sign the application form itself and to write his full name.
3. **Specimen Signature:** After filling the prescribed form issued by the bank and introduction given by a current account holder, the applicant is required to give his four signatures on a prescribed card. This enables to bank to verify the signature of the account holder with the signature on the cheque issued by him.
4. **Photograph:** In order to avoid various frauds due to fake identity the banks require photographs of the applicant to be affixed on signature card.
5. **Initial Deposit:** It is the minimum amount which the applicant must deposit, to activate his newly opened account. After opening an account, the bank provides the passbook, chequebook and pay-in-slips to account holder.

(b) Five Factors Responsible for the Destruction of the Eco System:

1. **Population Growth:** Population is growing rapidly but the land is static, which is a great threat to our eco system. This is resulting in deforestation, destruction of natural resources, soil erosion, falling water table, pollution of water sources and atmosphere.
2. **Transport:** More and more road network is being expanded, which is resulting in deforestation, extinction of species, urbanisation etc.
3. **Tourism:** With the development of tourism, there is a quest to earn more and more revenue and foreign currency. The virgin areas which are rich in natural resources are exposed for the tourists. This is causing a loss of fresh water and habitats.
4. **Agriculture:** In order to cater the needs of over growing population, our farmers are using more and more chemical fertilizers and pesticides to increase their productivity. This is resulting into degradation of soil quality and natural food chain process.
5. **Industrialisation:** Increase in the number of industries is a great danger to our eco system. It is resulting into deforestation to get more and more land for industries, contamination of water by industrial wastes, air pollution and sound pollution.

(c) Advantages of Radio Services in the form of Advertising Media:

1. It is convenient for the masses due to its wide coverage.
2. It is good for rural areas as it can even cover illiterate people and lower income segment.
3. The frequency of repetition of advertisement is more.

4. People don't have to sit and watch the advertisement, they can very easily hear them while working.
5. With the use of extra audio affects, in the form of music and interactive sessions through phone calls, makes the communication more effective.

Disadvantages:

1. There is a lack of selectivity due to availability of selective radio channels in our country.
2. It is costlier due to limited selectivity.
3. Industrialisation and other factors makes the sound signal weak which results in poor reception.
4. It has a short life span and back reference is not possible.
5. It takes visual impact.

Question 8:

(a) What is the professional and social significance of Human Resource Management? [5]

(b) Write short notes on:

(i) Importance of Packaging.

(ii) The Chernobyl disaster. [5]

(c) Last year, Sakona Co. Ltd. came up with a unique and revolutionary Home Theatre System with amazing new features, excellent sound quality and elegant design. It was priced very high, yet it was a great success. This year the company is facing stiff competition, but is determined to acquire a huge chunk of the market share.

(i) In what stage of PLC (Product Life Cycle) is the Home Theatre System presently?

(ii) Suggest strategies that Sakona Co. Ltd. should adopt to achieve its corporate goals. [5]

Answer:

(a) Professional and Social Importance of Human Resources Management:

Professional Significance: Human Resource Management helps in maximising the working potential of the employees by providing a healthy working environment and opportunities for growth. It enhances better understanding among the people working together which leads to effective team work. It boosts the confidence of the people by placing them at the right place at the right time according to their qualification and work experience. HRM also inculcates a feeling of belonging for the organisation.

Social Significance: Human Resource Management helps the society by utilising and channelising the manpower in the productive channels. It provides maximum opportunities to enhance the dignity of labour by placing the right person at the right job. HRM also raises the standard of living of the people by increasing the employment opportunities.

(b) (i) Packaging: It means placing products in suitable packages for safe and easy handling. It is not only a protective cover but it also acts as a silent salesman by providing various information about the product. Packaging also provides reuse, repack and resale

value of the packaging material which adds utility to the product. It also has a competitive value as it differentiates a product from its substitutes and adds beauty to the product to grab immediate attention.

(ii) The Chernobyl Disaster: The Chernobyl disaster occurred on April 26, 1986 at Chernobyl nuclear plant located in Chernobyl city of Ukraine. It is a nuclear power generation station from where radioactive material drifted over the surrounding area causing more than 10,000 people died due to side effect of radiation. It lead to a series of genetic disorders or changes in the areas of Ukraine, Belrus and Russia.

(c) (i) At present the PLC of the Home Theatre System is in its growth stage where it is facing a tough competition. Still the sale at distribution is widening.

(ii) At this stage the Sakona Co. Ltd should adopt the following strategies:

1. Keep the price at competitive level.
2. More importance should be given to after sales service.
3. Try to introduce more versions of the Home Theatre System with improved features.
4. More advertising to be done to create brand image and more sales promotional activities to be introduced.

Question 9:

Case Study

It is the conviction of the management of Carmel Closure Co. Ltd. that its shareholders constitute an important part of the public. The management feels that the company should devote time and effort in studying the make-up, location, economic status and demography of this group to enable better communication and a stronger public relation policy.

Mr. Ramesh Sharma is the Public Relation Officer of the company. He agrees with the Management to a certain extent, however he would like to introduce other forms of public relations programmes.

(a) Why is it imperative for a company to maintain a good relationship with its shareholders?

How should Mr. Sharma go about planning a successful programme? [5]

(b) Mention two other public relations programmes that would be of paramount importance to the company. Give reasons to support your answer. [5]

(c) How would you explain to Mr. Sharma about the element 'Empathy' as being one of the key elements to establish good public relations? [5]

Answer:

(a) It is important for a company to maintain a good relationship with its shareholders because they are the one who contributes to the company's share capital and assure the risk of the loss. The company should consider the shareholder as its actual owner and should always strive for a better relationship with its shareholders to hold their interest in

the company and j promote holding of stock as a long term investment.

Mr. Sharma should provide the current information about the financial position and future prospects of the company in a simple and understandable language. The company should organise share holder relation programmes to promote the long-term investment relationship with the company. This will reduce the dissatisfaction and organised opposition to management policies.

(b) The two public relation programmes that would paramount importance to the company are:

1. The importance should be given to good employee relations, by giving equal opportunities to the employees and to be a part of management. This will increase the adaptability of management policies more effectively. A two way channel of communication should always be active between management and workers.
2. Consumer decides the success or failure of a business enterprise. Therefore, a sincere concern for consumers is very important. This can be easily achieved by developing better relations with consumers by regularly communicating with them through sales representatives, meetings, surveys, mailings, magazines and literature.

(c) Empathy means looking at things from others point of view which leads towards better understanding of another human being. It is basically concerned with the establishment of trust and rapport, which is the base for public relation. It involves seeing and feeling matters as others see and feel which builds more confidence of the public and promotes goodwill of the company. It also appreciate company's perspective in a positive way by creating an atmosphere full of faith, trust and confidence.

Question 10:

Case Study

Ardent Aptec Ltd. is a telecommunication company. It gives top priority to employee training. The company believes that training contributes to a permanent relationship between superiors and subordinates. The company environment provides conditions favourable to learning and career growth. It also considers it as a continuous process. The recruitment policy of the company is focused on campus recruitment and hence special steps are taken to ensure that the employees acquire the necessary skills. The accelerated rate of technological changes in the telecommunication industry has led to greater focus on retraining employees.

In addition to in-house training facilities, the company makes use of training programmes run by various technical and management institutes.

(a) Discuss any three types of training that can be undertaken by Ardent Aptec Ltd. [5]

- (b) Why does Ardent Aptec Ltd. think it is important to train employees? [5]
(c) Discuss any three training methods that may be adopted by Ardent Aptec Ltd. [5]

Answer:

(a) The three types of training that can be undertaken by Ardent Aptec Ltd are as follows:

1. **Coaching:** Under this method of training, the employee gets instructions by the supervisors or by some experienced employee. This method of training is economical, more realistic, does not require any separate training department and it creates better understanding between the workers and their supervisors.
2. **Lectures, Seminars and Conferences:** Employees learn new ideas and latest changes taking place in the technology by attending lectures, seminars and conferences. This refresh their knowledge and they learn new ideas.
3. **Job Rotation:** In this method the trainee is periodically rotated from one job to another. This broadens the outlook of the employees, by making him learn a variety of tasks.

(b) Ardent Aptec Ltd, thinks training is very important because training is a learning experience which develops manpower to improve their job performance. It also helps workers to cope with the latest technological advancement taking place rapidly which boosts the morale of the workers to face the complex situations at the work place. Well trained employees require less supervision which reduces the cost of supervision and increases the probability of expansion of work.

(c) Three training methods that may be adopted by Ardent Aptec Ltd. are:

1. **Lectures, Seminars and Conferences:** Under such training method the employees learn new ideas and latest technological developments taking place in the industry. It refreshes their knowledge with new ideas.
2. **Vestibule Training:** This training is conducted away from the actual work place. Artificial working environment is created where the employees recover from their initial nervousness before going into an actual work place. This type of training permits greater emphasis on teaching the best method of work.
3. **Sensitivity Training:** This method helps the employees to learn more about themselves, their weaknesses and to develop self awareness. It also helps in promoting team spirit among the workers.