

**ICSE Paper 2019**  
**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.

State one difference between each of the following :

- (a) Capital Market and Money Market [2]
- (b) Direct Cost and Indirect cost [2]
- (c) Employment Exchanges and Placement Agencies [2]
- (d) Cheque and Bank Draft [2]
- (e) Advertising and Publicity [2]

Answer:

(a)

Basis of Difference	Capital Market	Money Market
Meaning	A section of financial market where long term securities are issued and traded.	A segment of the financial market where lending and borrowing of short term securities are done.
Nature of Market	Formal	Informal

(b)

<b>Basis of Difference</b>	<b>Direct Cost</b>	<b>Indirect Cost</b>
Meaning	A cost that is easily attributable to a cost object is known as Direct Cost.	Indirect Cost is defined as the cost that cannot be allocated to a particular cost object.
Classification	Direct material, direct labour, direct expenses	Indirect material, indirect labour, indirect overheads

(c)

<b>Basis of Difference</b>	<b>Employment Exchanges</b>	<b>Placement Agencies</b>
Scope	They work for Govt. Bodies, State Government offices, Public Sector Officers and provide information about the registered users for particular field.	They work for large, small scale companies.
Ownership	They are run by Central/State/UT Government.	They are run by private firms.

(d)

<b>Basis of Difference</b>	<b>Cheque</b>	<b>Bank Draft</b>
Payment	Payable either to order or to bearer.	Always payable to order of a certain person.
Issuance	Cheque is issued by an individual.	Demand Draft is issued by a bank.

(e)

<b>Basis of Difference</b>	<b>Advertising</b>	<b>Publicity</b>
About the Product	It is what the company says about its product.	It is what others say about the product.
Cost	Very expensive marketing tool.	Free of cost.

Question 2.

- (a) Mention any two advantages of wind energy. [2]
- (b) State any two uses of Balance Sheet. [2]
- (c) Mention any two circumstances when a Bank can refuse payment of a cheque. [2]
- (d) What is meant by consumer education ? [2]
- (e) Mention the form elements of Marketing mix. [2]

Answer:

(a) Advantages of wind energy :

- It is a pollution free, clean energy source.
- It is totally free source of energy.

(b) Uses of balance sheet are :

- A balance sheet reflects the capital of the company showing its strength or weakness. One can use a balance sheet to gain insight of a company and its financial operations.
- Tell you about company's worth; that is, how much would be left if all assets were sold and debts were paid off.

(c) A bank can refuse a payment of cheque in the following circumstances :

- If the signatures of the borrower on the cheque differ from the signatures done by him in the account opening form.
- If the cheque issued date is more than 3 months old.

(d) Consumer education means :

- providing resources and information to the consumers like price and trade practices, educating customers as how to make better buying decisions that directly affect the functioning

(e) Elements of marketing mix are : 1. Product 2. Price 3. Promotion 4. Place

Question 3.

- (a) What is food adulteration ? Give an example. [2]
- (b) State the importance of 'persuasion' as an element of Public Relations. [2]
- (c) Explain two advantages of opening a bank account. [2]
- (d) What is meant by parity pricing ? [2]
- (e) What do you mean by Office and Administrative Overhead ? [2]

Answer:

(a) Food Adulteration refers to the process by which the quality or the nature of a given food is reduced through addition of adulterants or removal of vital substance. Food adulterants are inferior chemical substances present in food that cause harm or is

unwanted in the food. A common example of food adulteration is mixing of papaya seeds in pepper. Mixing of sweet potato in ghee is another common example of food adulteration.

(b) Persuasion refers to the process by which a person's attitudes or behaviour are influenced by communication. Persuasion helps in changing the hostile opinion. It helps in understanding the needs and expectations of customers from a particular product and also addressing their queries.

(c) Advantages of opening a bank account :

- There is no need to keep huge cashes in business place or home.
- The cash deposited in the bank earns an interest.

(d) Parity pricing means increasing selling price of a product or service proportionately or rather by the same amount as the increase in the prices of raw materials or inputs.

(e) Office and Administrative overheads are those costs which are incurred for the overall administrative work of the organization. They include :

- Indirect materials such as office supplies, stationery and printing items, brooms etc.
- Indirect labour such as salaries payable to staff.
- Indirect expenses such as lighting, rent/insurance of office.

Question 4.

Give a reason either for or against each of the following statements.

(a) Human Resource Management is a challenging function. [2]

(b) Every transactions has two effects. (Answer with reference to the Concept of Accounting) [2]

(c) Ethics has no role in Public Relations. [2]

(d) Today's Marketing Concept is known as Consumer Oriented Concept. [2]

(e) A distribution channel serves as a link between producers and consumers. [2]

Answer:

(a) Yes. Human Resource Management is a challenging function. One of the challenges for the HRM is related to the factors that are located inside the organization. These factors include competitive position and flexibility organizational restructuring and issues of downsizing, the exercise of self-managed teams, development of suitable organizational culture etc.

(b) Yes, every transaction has two effects. The dual effect principle is the foundation or basic principle of accounting. It provides the very basis for recording business transactions into the records of a business. This concept states that every transaction has a dual or double effect and should therefore be recorded in two places. This is the beginning of the

double entry book keeping system. The basis of this principle is that every transaction that a business does has two effects.

If we take a basic transaction, A buys a vehicle for ₹ 5,00,000, we can break this down to see that there is two effects.

Effect 1 – A has ₹ 5,00,000 less in his bank.

Effect 2 – A has an asset that has a cost of ₹ 5,00,000.

(c) Ethics has a role in public relations. Ethics are important to help gain public trust, retain employees and can lead to greater innovation in the industry.

Ethics include the professional values of advocacy, honesty, expertise, independence, loyalty and fairness. Ethical values include the free-flow of information, competition, disclosure of . information, safeguarding confidence, conflicts of interest and enhancing the profession. While we often deal with the provisions of conduct as PR professionals, understanding the underlying values is a key to successful ethical practice.

(d) Yes, marketing concept is consumer oriented concept. The marketing concept is the use of marketing data to focus on the needs and wants of customers in order to develop marketing strategies that not only satisfy the needs of the customers but also accomplish the goals of the organization.

The marketing concept is oriented toward pleasing customers (be those customers organizations or consumers) by offering value. Specifically, the marketing concept involves focusing on the needs and wants of the customers so the organization can distinguish its product(s) from competitors' offerings.

(e) A distribution channel serves a link between producers and consumers. A channel of distribution is the route or path along which goods move from producers to ultimate consumers. If there is no channel of distribution, the goods cannot reach from manufacturer to wholesaler and wholesaler to retail and retailer to consumers.

### **SECTION – B [60 MARKS]**

Attempt any four questions from this Section

Question 5.

(a) Explain the maturity stage and abandonment stage of product life cycle. [5]

(b) Explain three professional and two social significance of Human Resource Management. [5]

(c) Explain any two leading money functions of the commercial bank. [5]

Answer:

(a) (i) Maturity Stage : In maturity stage prices of the product fall and profits also fall due to high competitive pressures. Growth rate becomes stable and weak firms are forced to leave the industry. Heavy expenditure is incurred on promotion to create brand loyalty.

Firms try to modify and improve the product, to develop new uses to the product and to attract new customers in order to increase sales.

(ii) Abandonment Stage : This is the final stage of the product life cycle. In this stage, the firm abandons the product in order to make better use of its resources. As preferences of customers change, new and more innovative products replace the abandoned product. When the decline is fast, the product is abandoned by the firm. New products with unique features may be introduced. Some firms cannot bear the loss and sell out and discontinue the product.

(b) Professional significance :

(i) HRM provides maximum opportunities for personal development of each employee in the organization.

(ii) It helps in maintaining healthy relationships among individuals, and different work groups.

(iii) Allocates work properly to the employees.

Social Significance :

(i) Provides suitable employment that provides social and psychological satisfaction to people.

(ii) Maintains a balance between the jobs available and the job seekers in terms of numbers, qualifications, needs and aptitudes.

(c) Primary functions of commercial banks in money lending : Money deposited by the customers in the banks is disbursed to the needy persons for productive purposes. This function is very important because the economic development of the country mainly depends on the credit schemes of banks. Banks lend money in different forms.

The most popular forms of lending are : Overdraft An overdraft is an arrangement by which the customer is permitted to draw money over and above the credit balance in his account. The customers have to pay interest for the overdrawn amount.

Cash Credit

Cash credit is a short-term credit given to the businessmen for meeting their working capital requirements. It is normally made against certain security. The banker opens the cash credit account in the name of the borrower and permits him to withdraw money from time to time up to a certain limit fixed by the value of stocks available in the business premises of the borrower. The borrower withdraws money from the cash credit account as per his requirements. Interest is charged only on the amount actually withdrawn by the account holders from the account. This type of loan is very popular among businessmen in India.

## Loans and Advances

These are direct loans given to all type of customers. These loans are given against the security of the movable and immovable properties. The amount of loan is paid as cash, or customer's account is credited with it so that he can withdraw the amount from his account at any time.

### Question 6.

- (a) Explain any two types of interviews that are used in selection of employees. [5]  
(b) Discuss employee relations and government relations on the basis of scope of public relations. [5]

Answer:

(a) Types of interviews in selection process :

Formal Interview:

Formal interviews may be held in the employment office by the employment officer in a more formal atmosphere, with the help of well-structured questions. The time and place of the interview will be stipulated by the employment officer.

Informal Interview :

An informal interview is an oral interview and may take place anywhere. The employee or the manager or the personnel manager may ask a few almost inconsequential questions like name, place of birth, names of relatives etc. either in their respective offices or anywhere outside the plant of company. It is not planned and nobody prepares for it. This is used widely when the labour market is tight and when you need workers badly.

(b) Government relations with employees specifically focus on how the employees of an organization interact with the government. In fact, employees interact with their organization through various branches and officials of the organization and in turn, the organization interacts with the government. This is the area of public relations that helps build relationships and positive interactions between an organization and government officials.

Government relations rely heavily on communicating about regulatory issues, one-on-one conversations with government representatives and building efforts on behalf of a group or organization.

(c) Features of income and expenditure account are :

- It shows the excess of income over expenditure or vice versa.
- Expenses are entered on debit side and incomes on the credit side.
- Capital items are excluded.
- Any income of revenue nature relating to the present period whether actually received or not and any expenditure of revenue nature whether paid or not being taken into account.

- All receipts and payments relating to the preceding or succeeding period are excluded.

Question 7.

(a) Discuss the Sales oriented stage and Product oriented stage of marketing. [5]

(b) Explain Product advertising and Informative advertising. [5]

(c) Explain the first five steps, in personal selling. [5]

Answer:

(a) In the product oriented stage the motto is "Make all you can".

1. Demand exceeds available supply.
2. All that is made can be sold.
3. Focus is on engineering and generating output, not the customer.

In the sales oriented stage the motto was "Sell all you make".

1. Supply frequently exceeds demand.
2. Focus is on promotion and pricing; objective is to sell the entire inventory.

(b) Product advertising is the art of building and maintaining product awareness with potential buyers. A good product advertising educates potential customers on why they need the product, how it is used and the benefits derived from its use. A successful program also tells the consumer how the product is better than similar offerings by competitors.

Informative advertising is often used when launching a new product or for an updated product. The objective is to develop initial demand for a good, service organization or cause. It is used when a new product is put in the market or when an old product has been re-launched or updated. Informative advertising will tell the consumer and marketplace about the product, explain how it works, provide pricing and product information and should build awareness for the product as well as the company.

(c) Steps in personal selling are :

Prospecting

The first step of the personal selling process is called 'prospecting'. Prospecting refers to locating potential customers. There are many sources from which potential customers can be found: observation, social contacts, trade shows, commercially-available databases, commercially- available mail list and cold calling.

Pre-Approach

The pre-approach involves preparation for the sales presentation. Preparation involves research about the potential customers, such as market research. Research is useful in planning the right sales presentation. During the pre-approach the salesperson may also plan and practice their sales presentation.



### The Approach

The approach refers to the initial contact between the salesperson and the prospective customer. During this stage the sales person takes a few minutes for “small talk” and get to know the potential customer. The goal of the approach is to determine the specific needs and wants of the individual customer, as well as allowing the potential customer to relax and open up.

### Sales Presentation

The sales presentation involves the salesperson presenting the product or service, describing its qualities and possibly demonstrating features of the product. Ideally the sales presentation will be individualized to match the needs and desires of the potential customer.

### Closing the Sale

Closing the sale refers to finalizing the sale and persuading the potential customer to make the purchase. During the ‘closing the sale’ step, prices and payment options may be negotiated.

### Question 8.

(a) Write short notes on : [5]

(i) Business Entity Concept

(ii) Going Concern Concept

(b) Explain any two types of consumer products with examples. [5]

(c) Explain any five procurement functions of Human Resource Management. [5]

Answer:

(a) (i) The business entity concept states that the transactions associated with a business must be separately recorded from those of its owners or other businesses. It requires the use of separate accounting records for the organization that completely exclude the assets and liabilities of any other entity or the owner. Without this concept, the records of multiple entities would be intermingled, making it quite difficult to discern the financial or taxable results of a single business.

(ii) The going concern concept of accounting implies that the business entity will continue its operations in the future and will not discontinue its operations due to any reason. A company is a going concern if no evidence is available to believe that it will or will have to cease its operations in future.

(b) Two types of consumer products are :

Convenience Products : Convenience products are bought by the consumers most frequently. They are bought immediately and without great comparison between other options. Convenience products are typically low-priced, not-differentiated among other products and placed in locations where consumers can easily purchase them. The products are widely distributed, require mass promotion and are placed in convenient locations.

Sugar, laundry detergent, pencils, pens and papers are examples all of convenience products.

**Shopping Products :** Shopping products are bought less frequently by consumers. Consumers usually compare features of shopping products such as quality, price and style between other products. Therefore, shopping products are more carefully compared against other products and consumers spend considerably more time in comparison, as opposed to convenience products. Shopping products require personal selling and advertising. Airline tickets, furniture, electronics, clothing and phones are all examples of shopping products.

(c) **Job analysis :** It is the process of collecting information relating to the operations and responsibilities pertaining to a specific job.

1. **Human resources planning :** It is a process of determining and assuring that the organisation will have an adequate number of qualified persons, available at proper times, performing jobs which would meet their needs and provide satisfaction for the individuals involved.
2. **Recruitment :** It is the process of searching prospective employees and stimulating them to apply for jobs in the organization.
3. **Selection :** It is the process of ascertaining qualifications, experience, skills and knowledge of an applicant with a view to appraising his/her suitability to the job in question.
4. **Placement :** It is the process for matching the employee's qualifications, experience, skills and interest with the job on offer. It is the personnel manager's responsibility to position the right candidate at the right level.

Question 9.

Case Study

Ryan Ltd. took the following steps in the beginning of this year to widen its consumer base. It expanded the business operations to cover international markets and within India, it focused on Delhi. It repositioned itself as a FMCG company, offering a wide range of Modern Electronic items, and moved away from traditional marketing to non-traditional marketing. The company focused on quality control and publicity. It also introduced new advertisements featuring film stars and sports personalities. It undertook various brand promotion methods.

(a) Explain any two advantages of advertising to manufacturers. [5]

(b ) Explain any two elements of promotion mix. [5]

(c) Explain any five Non-traditional markets. [5]

Answer:

(a) Advantages of advertising to manufacturers :

1. The increase in demand caused by advertising makes possible the installation of latest plants and introduction of technological improvement. This results

not only in improved quality of the product but in the reduction of the cost per unit.

2. Through advertising the manufacturer can create a demand for his product and maintain it throughout the year and thereby reduce the seasonal slumps in his business.

(b) (i) Advertising : Advertising is defined as any paid form of non-personal presentation and promotion of ideas, goods and services by an identified sponsor. It is a way of mass communication. It is the most popular and widely practiced tool of market promotion. Major part of promotional budget is consumed for advertising alone. Various advertising media – television, radio, newspapers, magazines, outdoor means and so forth, are used for advertising the product.

(ii) Sales promotion : Sales promotion covers those marketing activities other than advertising, publicity and personal selling that stimulate consumer purchasing and dealer effectiveness. Sales promotion mainly involves short-term and non-routine incentives, offered to dealers as well consumers. The popular methods used for sales promotion are demonstration, trade show, exhibition, exchange offer, seasonal discount, free service, gifts, contests, etc.

(c) Non-traditional markets are :

- Catalogue market
- In-house market
- Mail-order market
- Automatic vending machines
- Tele-market

(c) Catalogue market : The seller prepares catalogues of products and sells directly to the customer. Samples of the products are also kept at the selling place of the seller which can be seen, tested or examined by the customers.

Avon is a good example of a company successfully using this channel to sell its range of cosmetics. In-house market: In this type of market, sales persons visit door-to-door in the locality and offer products to the people at their houses. This is an effective method and offers good discounts to the customers. Dictionaries, visual books are sold in this manner.

Mail-order market : In this type of market, the seller mails the catalog of the products and other publicity material to the prospective buyers. Customers place orders after reading the publicity material. Goods are dispatched through courier or VP.P. This market is however being replaced by online shopping firms like Flip kart, Amazon.

Automatic vending machines : These machines are installed in the premises of malls, workplaces, schools and public places. Customer puts the coins/cash in the machine and collects the product. Vending machines for selling cold drinks, tea, coffee, soups can be seen at various places. Tele-markets: The product is advertised on television channels and in the newspapers. Toll-free numbers are provided in the advertisement for placing the orders. Orders are executed through couriers.

#### Question 10.

A leading Human Resource Consultancy group has received a number of applications for the post of an analyst for its Hyderabad office. But the person finally selected had no prior experience for work in the same industry. The administrative manager feels that with proper training the selected person will turn out to be an asset to the organisation. Although he feels that on-the-job training will be the most appropriate, other members of the selection committee recommended Internship training and Role Playing methods of training.

(a) What is employee selection ? Mention any three benefits of employee selection. [5]

(b ) Explain Internship training and Role Playing methods of training. [5]

(c) Explain any two internal sources of recruitment. [5]

Answer :

(a) Selection is the process that an organization uses to determine which job applicant will be the most successful in meeting the demands of the job or will fit well with the existing work groups and the culture of the organization.

Benefits of employee selection :

Reduces Applicant Numbers :

Recruitment attracts many applicants to a particular job, which may prove difficult to manage, but selection reduces applicants to a manageable number. Candidates who have applied for a job during the recruitment stage are screened in the selection stage. Those who prove suitable for the job are selected and unsuitable ones are rejected.

Access Behaviour :

Selection gives managers an opportunity to assess potential employees' character and personality. This ensures that only an employee with the most suitable personalities and skills is given the job. The organization takes particular notice of the personal flexibility and adaptability of a candidate, which assures that such an individual can adjust rapidly to the tough demands of the job.

Low Employee Turnover

Appropriate selection procedures applied in the recruitment process ensure that only the most qualified individual is chosen to fill a vacancy. Recruited employees who are satisfied with their jobs lead to a low employee turnover rate. Employee retention is important to an organization, as the costs of hiring and training new employees are very high.

(b) Under the Internship Training, an educational or a vocational institute enters into an arrangement with the industrial enterprises to provide experiential knowledge to their students. Simply, the training conducted to offer a practical knowledge to the students, lasting for few months, is called as the internship training. These trainings are conducted for such courses viz. Engineering, Medical, Management, etc., wherein the advanced theoretical knowledge is to be backed up by the practical experience of the job.

Role playing method is a stimulation in which each participant is given a role to play. Trainees are given with some information related to description of the role, concerns, objectives, responsibilities, emotions, etc. Then, a general description of the situation and the problem that each one of them faces, is given. For instance, situation could be strike in factory, managing conflict, two parties in conflict, scheduling vacation days, etc. Once the participants read their role descriptions, they act out their roles by interacting with one another.

(c) Employees of the organization : Employees of the organization communicate or inform about the vacant positions of the organization to their friends and relatives. In many organizations, they allowed referring potential candidates for the suitable vacancies.

Promotions : Promotions involve vacancies of the organization are filled by promoting the skilled employees to the suitable jobs and it can motivate the employees by giving higher position, increased salary, status and responsibility. Promotions can help in reducing employee turnover by creating the hope of getting higher positions.