

ICSE Paper 2011
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) Mail order shopping and Tele-shopping. [2]
- (b) Product Mix and Promotion Mix. [2]
- (c) Shut Down Cost and Sunk Cost. [2]
- (d) Savings Account and Current Account. [2]
- (e) Advertising and Personal Selling. [2]

Answer:

(a)

| Mail Order Shopping | Tele-shopping |
|---|--|
| In mail Order shopping the seller approaches the prospects by mail publicity, i.e., sending circular, price list, catalogue, booklets, pamphlets, samples, etc., through the post office and local agents are employed for the collection as well as execution of orders. | In Tele-shopping the prospects are contacted directly on phone to persuade and secure orders. Orders are executed by free home delivery. |

(b)

| Product Mix | Promotion Mix |
|---|--|
| 1. Product mix refers to a combination of various features relating to the product or service to be offered for sale. | 1. Promotion mix consist of all the activities aimed at persuading customers to buy the product. |
| 2. Product mix consists of product range, branding, packaging and services. | 2. Promotion mix consists of advertising, personal selling, sales promotion and publicity. |

(c)

| Shut Down Costs | Sunk Costs |
|--|---|
| 1. Sunk costs include expenses like investment in land and machinery, buildings etc. | 1. Shut down costs include fixed costs and such as rent, insurance, depreciation etc. |
| 2. Sunk costs are historical costs which have already been incurred. | 2. Shut down costs are those costs which have to be incurred even if production or operation of an undertaking are discontinued temporarily due to strike or other reasons. |

(d) Refer Ans. 1. (c), 2015.

(e)

| Advertising | Personal Selling |
|---|----------------------------------|
| 1. In advertisement manufacture do not depend on the persons to make the sales. | 1. This is an impersonal method. |
| 2. Personnel selling always depend on the persons to reach the product and services to the consumers. | 2. It is personal method. |

Question 2:

- (a) Name four types of market on the basis of area. [2]
- (b) Mention any two objectives of advertising. [2]
- (c) Explain two main differences between recruitment and selection. [2]
- (d) Give four elements of public relations. [2]
- (e) Explain two main methods of training. [2]

Answer:

(a) Four types of market on the basis of area:

- 1. Local Market.
- 2. Regional Market.
- 3. National Market.
- 4. International Market.

(b) Two objectives of Advertising:

- 1. **To introduce New Product:** Producers and traders advertise to inform customers about the availability of a new product. They seek to develop a good image of the new product and persuade consumers to buy it.
- 2. **To Eliminate Middlemen:** Businessmen use advertisement to send their messages far and wide. They can establish direct contact with customers, thereby eliminating middlemen.

(c) [Refer Ans. 1. \(a\), 2014.](#)

(d) [Refer Ans. 2. \(a\), 2013.](#)

(e) Two Main Methods of Training:

1. **On-the-Job Training (OJT):** Under this method, employees are assigned a specific job and they learn by performing the job in the actual work situation. Therefore, it is also known as 'learning by doing'. The employee learns work methods and job operations under the supervision of the supervisor or a senior employee. The employee works according to his orders and instructions and performs job activities as per his advice. It is step-by-step learning and the worker contributes towards production in the course of learning.
2. **Off-the-job Training:** Under this method of training, trainee is separated from the job situation and his attention is focused upon learning the material related to his future job performance. Since the trainee is not distracted by job requirements, he can place his entire concentration on learning the job rather than spending his time in performing it. It is an opportunity for freedom of expression for the trainees. Off-the-job training can be given in the following ways-lecture method, conference or discussion, programmed instruction and role playing.

Question 3:

- (a) Briefly list two qualities of a good salesman. [2]
- (b) What is meant by Persuasive Advertising? [2]
- (c) What is Marketing Mix? [2]
- (d) Give two differences between Fixed. Cost and Variable Cost. [2]
- (e) Give two differences between a stale cheque and a post-dated cheque. [2]

Answer:

- (a) **Refer Ans. 3. (a), 2016.**
- (b) **Persuasive Advertising:** This type of advertising is designed to persuade the consumers to buy a product or service or to support an idea. This advertising becomes more important when competition increases.
- (c) Marketing mix is a combination of four elements-product, pricing structure; distribution system and promotional activities, used to satisfy the needs of an organisation's target market(s) and at the same time, achieve its marketing objectives.

(d) Two differences between Fixed Cost and Variable Cost:

1. Fixed costs are those costs which remain fixed in amount irrespective of changes in the volume of output during a given period of time while variable costs are those costs which vary in amount with changes in the level of output or activity.
2. Fixed costs do not change with changes (increase or decrease) in the level of activity upto a certain limit while variable costs increase and decrease in the same proportion in which the level of output increases or decreases. Variable costs vary in total amount but remain constant per unit of production.

(e) Two differences between Stale Cheque and Post-dated Cheque:

1. A cheque that bears a date earlier than six months is a Stale cheque while a cheque bearing a later date is known as Post dated cheque.
2. A state cheque can not be honoured while a post dated cheque can be honoured.

Question 4:

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

- (a) Parity pricing is not relevant under the present marketing conditions. [2]
- (b) Advertising is a social waste. [2]
- (c) Accounts should disclose all material information.
(with reference to the concept of accounting) [2]
- (d) The Central Bank of a country is the banker's bank. [2]
- (e) Recruitment is a positive process. [2]

Answer:

- (a) **Against.** (i) Under parity pricing, a firm keeps its prices similar to the price level of the leading firm in the industry.
(ii) In a competitive market, it is a safe policy as it avoids price war.
- (b) **For.** (i) Advertising creates employment opportunities for a large number of persons.
(ii) Advertising leads to variety in consumption and use of better quality products.
- (c) **For.** (i) Accounts should be prepared in such a way that all the material information required by users of financial statement is clearly disclosed.
(ii) The disclosures can be by way of footnotes or annexure to the financial statements.
- (d) **For.** (i) The Central Bank acts as the bank for all commercial banks in the country.
(ii) The Central Bank advises commercial banks on matters relating to their business.
- (e) **For.** (i) Recruitment is the process of searching for and identifying the protective employees and encouraging them to apply for jobs in the enterprise.
(ii) The basic purpose of recruitment is to create a pool of qualified persons from which selection may be made.

Section – B (60 Marks)

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

Question 5:

- (a) What is the role of marketing in a commercial organisation? [5]
- (b) Marketing has gone through three distinct stages. Explain them in brief. [5]
- (c) Distinguish between products and services with examples. [5]

Answer:

- (a) Marketing contributes to the economic and social development of a nation. In a developing country like India, marketing is all the more important. It helps to make fuller utilisation of untapped assets and energies. Marketing contributes to the development of

entrepreneurial and managerial talent. Development of marketing leads to the integration of agriculture, industry and other sectors of the economy.

Marketing in developed countries is more advanced than in developing countries. It also helps to increase exports and foreign exchange earnings of the nation. It generates employment and improves standard of living of the people. By increasing per capita income and by bringing new and better products and services to consumers marketing raises the quality of life of Indian economy.

(b) Stages of marketing:

1. **Production oriented stage:** In this stage, production and engineering departments shaped the company's goals and strategy. The philosophy of this stage was that customers buy products which are low priced and easily available.
2. **Product oriented stage:** In this stage marketers believed that customers will buy the product if its quality was good. Firms made efforts to improve product features and performance.
3. **Marketing oriented stage:** The aim of marketing should be to know and understand the customer so well that the product or service fits him and sells itself. The modern concept of marketing recognizes the role of marketing as a direct contributor to profits as well as sales volume.
4. **Social marketing stage:** With growing population, pollution, poverty and resource shortages, the marketing concept was expanded to include social welfare. (any three)

(c) Refer Ans. 5. (c), 2015.

Question 6:

- (a) What is a Receipts and Payment Account? Describe its uses. [5]
- (b) Explain any two generally Accepted Accounting Principles (GAAP). [5]
- (c) Explain the importance of selection of employees. [5]

Answer:

(a) Refer Ans. 3. (a), 2015.

Two uses of Receipt and Payment Account:

1. Receipt and Payment Account serves as the basis for preparing the Income and Expenditure Account and the Balance Sheet.
2. It tells at a glance the cash position of the organisation both at the beginning and end of the accounting year.

(b) (i) The Going Concern Concept: It is assumed that the business will continue to exist for a long time in the future. Transactions are recorded on the assumption that the business will exist for an indefinite period of time. It is on this assumption that a distinction is made

between capital expenditure and revenue expenditure. Fixed assets are recorded at their original cost less depreciation. Market value of fixed assets is not recorded, as these assets are not to be sold in the near future.

(ii) Accounting Period Concept: It is due to this concept that financial statements are prepared at regular intervals, generally one year. This period is called accounting period. The net profit/net loss of business is ascertained separately for each accounting period. Similarly, the financial position of business is ascertained on the last day of an accounting period. Under tax laws, the accounting period starts from 1st April and ends on 31st March next year.

(c) Importance of Selection of Employees: Selection of employees involves comparison between job requirements and qualifications of candidates. The purpose of selection is to choose the right candidate for the right job.

Proper selection of employees will result in:

1. Improving efficiency and profitability by choosing a qualified person for every job.
2. Ensuring job satisfaction to employees by matching the candidates with the job.
3. Minimising labour turnover and absenteeism.
4. Facilitating higher quantity and quality of performance.

Question 7:

Write short notes on:

(a) Overdraft facility. [5]

(b) Brand Promotion. [5]

(c) Empathy as one of the elements of public relations. [5]

Answer:

(a) Overdraft Facility: Commercial banks lend money to businessmen, farmers, artisans and others in many ways and one of the facility is overdraft facility. Overdraft means an arrangement under which a current account holder is allowed to withdraw more than the balance to his credit upto the specified limit given by the bank. Overdraft is allowed for a short period and interest is charged on it. Commercial banks provide overdraft facility on the security of some assets or on the personal security of the account holder.

(b) [Refer Ans. 9. \(b\), 2016.](#)

(c) [Refer Ans. 6. \(b\), 2016.](#)

Question 8:

(a) Explain in brief the external sources of recruitment. [5]

(b) Explain any two functions of the Human Resource Development. [5]

(c) What is a Balance Sheet? State its main features. [5]

Answer:

(a) **Refer Ans. 6. (c), 2016.**

(b) (i) **Developmental Functions:** HRD is the process of improving the knowledge, skills, aptitudes and values of employees so that they can perform the present and future jobs more effectively. It involves the following activities:

1. **Performance Appraisal:** It implies systematic evaluation of employees with respect to their performance on the job and their potential for development.
2. **Training:** It is the process by which employees learn knowledge, skills and aptitudes to further achieve organisational and personal goals.
3. **Career planning and development:** It involves planning the career of employees with the help of promotions and transfers and implementing these career plans so as to fulfil the career aspirations of people.

(ii) **Compensation Functions:** These refer to providing equitable and fair remuneration to employees for their contribution to the attainment of organisational objectives. It consist of the following activities:

1. **Job Evaluation:** It is the process of determining the relative worth of a job.
2. **Wage and Salary Administration:** It implies developing and operating a suitable wage and salary programme by conducting various surveys on wage and salary structure in different organisations.
3. **Bonus:** It involves payment of bonus under the payment of Bonus Act, 1965, as well as non-statutory bonus and other incentives.

(c) **Refer Ans. 2. (d), 2015.**

Features of Balance Sheet: The main features pf Balance Sheet are as follows:

1. A Balance Sheet is always prepared on a particular date.
2. It is prepared after the preparation of Income and Expenditure account.
3. It is not an account but a statement.
4. It shows the financial position on a specified date.
5. Assets are shown on the right hand side and liabilities are shown on the left hand side.
6. It contains personal and real accounts and the net result of nominal account.

Question 9:

Case Study

Hindustan Lever Ltd.'s (HLL) much-talked-about foray into the water business is not about water per se. It is about a small device called Pureit, which can be attached to the kitchen tap to purify potable water at a minimum cost. If sources are to be believed, HLL's main aim is to make the product extremely affordable so that it remains attractive to all income

groups.

Sources said if HLL manages to sell the idea to consumers who are conscious about both price and health, companies selling 20-litre water jars to the residential segment may run into rough weather. Sources also pointed out that companies in the Rs. 9,000-15,000 price band (Aqua Guard and Pentair) will not be affected much as they operate in a different segment altogether. "HLL plans to take the small metros, towns and cities so that it does not remain an urban phenomenon," sources said.

When contacted, the HLL spokesperson said, "HLL is not going to enter water, the way other companies have entered. We have a very different framework. HLL's venture involves new patented technology solution and creation of a new business model. We hesitate to say anything further on the venture because of competitive reasons. The company has a fixed target and is exactly on course with that target.

HLL is very excited with the opportunity, because of its growth potential and huge benefit to the consumer."

Industry sources said HLL stayed away from foraying into bottle water as speculated because the market is crowded and Lever as a late entrant would not enjoy the early mover advantage. The segment operates on wafer-thin margins and requires a distribution network of a different kind. Very few players are making money and Nestle pulled out completely two years ago.

On the other hand, water purifiers (residential segment) are growing at 22%-25% annually. It is a Rs. 550 crore industry with AquaGuard cornering more than 50% of the market. The rest is divided among Kent RO, Pentair, Ion Exchange and others.

"We have experienced healthy growth rates. The industry as a whole is growing too. Our study showed that in Delhi alone, the demand for packaged water is 60,000 litres a remaining 30,000 litres is not guaranteed. There is lot of scope for the organised industry," said Gautam Khanna, Managing Director, Pentair Water.

(a) What is the sole objective of Hindustan Lever Ltd. entering the water purifier business? [5]

(b) In which segment does HLL's competitors sell their product? Will Hindustan Lever Ltd., be able to affect the business of its rivals? [5]

(c) How will Hindustan Lever Ltd., maintain its identity and why has Hindustan Lever Ltd. not entered into the bottled water segment? [5]

Answer:

(a) Hindustan Lever Ltd. is having a sole objective of entering the water purifier business as to make the product extremely affordable so that it remains attractive to all income groups, along with it company wants to sell the idea to consumers who are living in the small metros, towns and cities so that it does not remain an urban phenomenon.

(b) Hindustan Lever Ltd's competitors sell their product in middle income segment. Hindustan Lever Ltd. will not be able to affect the business of its rivals because they are operating in different segments. Company wants to reach those customers who are conscious about both price and health.

(c) Hindustan Lever Ltd will maintain its identity by introducing new patented technology solution and create a new business model.

Hindustan Lever Ltd has not entered into the bottled-water segment because already the

market is flooded With competitors using the same technique. Hindustan Lever Ltd wants to remain attractive to all income groups, it wants to produce a new patented technology, solution and create new ideas which will have better growth potential and huge benefit to the consumer.

Question 10:

Case Study

Like many other US-head-quartered IT companies, Symphony Services, a leading provider of technology-based business transformation outsourcing services, plans to build a 4,00,000 sq. ft. campus in Bangalore. With current staff strength of a 1,000 people, Symphony expects to grow to a 2,000 strong workforce by the end of 2010. "We want to leverage the tremendous intellectual capital that exists in India while we replicate a Silicon Valley environment in our organisation which nurtures innovation and entrepreneurship," said Mr. Ajay Kela, President India Operation.

In a study by Symphony Services on captive cost and productivity, the company found that pure captive, offshore centres do not reach cost and productivity parity with offshore services firms until they reach a manpower strength of at least 1,000. Leading industry analysts have also corroborated these findings. Further, the company found that captive centres generally operate at low productivity levels for the first several years due to start-up inefficiencies and learning curves. Since offshore development is not their core business and because of lack of scale, captive centres generally operate at productivity levels of 70% to 80% of onshore teams.

The company's base of clients include companies like Siebel, Manugistics, Autodesk, Schering-Plough, Viacom, La Quinta and IRL, among others.

- (a) What are the major plans of Symphony? [5]
- (b) Explain the strategies of the company for the year 2010. [5]
- (c) What are the findings of Symphony's studies with regard to captive cost and productivity? Name a few clients of the IT company Symphony services. [5]

Answer:

(a) The major plans of symphony are to build a 4,00,000 sq. ft. campus in Bangalore expects to grow to a 2,000 strong workforce by the end of 2010, further wants to use the tremendous intellectual capital that exists in India.

(b) Strategies of the company for year 2010 is to grow strong work force, use the intellectual capital that exists in India and replicate a silicon valley environment in the organisation which nurtures innovation and entrepreneurship.

(c) In a study by Symphony services with regard to captive cost and productivity the company found that pure captive, offshore centres do not reach, cost and productivity parity with offshore services firms until they reach a manpower strength of at least 1,000. Further the company found that captive centres generally operate at low productivity levels for the first several years due to start-up inefficiencies and leaving curves.

Few clients of the IT company symphony services are Siebel, Autodesk, Viacom among others.