

**ICSE SEMESTER 2 EXAMINATION**  
**SPECIMEN QUESTION PAPER**  
**COMMERCIAL STUDIES**

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*Maximum Marks: 40*

*Time allowed: One and a half hours*

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

*You will not be allowed to write during the first 10 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.*

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

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

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**SECTION A**

*(Attempt **all** questions.)*

**Question 1**

Choose the correct answers to the questions from the given options. (Do not copy the question, Write the correct answer only.)

[10]

- (i) The \_\_\_\_\_ budget contains an estimate of the total volume of production week wise, month wise and product wise.
- (a) Production
  - (b) Purchase
  - (c) Cash
  - (d) Sales
- (ii) \_\_\_\_\_ market consists of all organizations, institutions and instruments that provide long term funds.
- (a) Money
  - (b) Goods
  - (c) Capital
  - (d) Services

- (iii) The capital of the company is divided into equal parts called\_\_\_\_\_.
- (a) Debentures
  - (b) Shares
  - (c) Deposits
  - (d) Funds
- (iv) The \_\_\_\_\_ selection tests seek to measure a candidate's capacity to learn particular skills and test his potential abilities.
- (a) Personality
  - (b) Dexterity
  - (c) Trade
  - (d) Aptitude
- (v) \_\_\_\_\_ is a positive process which creates a pool of candidates.
- (a) Recruitment
  - (b) Selection
  - (c) Training
  - (d) Development
- (vi) The \_\_\_\_\_ function of the Central bank involves settling of claims of Commercial banks through a process of book entries.
- (a) Monopoly of note issue
  - (b) Government's bank
  - (c) Clearing house
  - (d) Developmental
- (vii) \_\_\_\_\_ shares do not carry voting rights.
- (a) Equity
  - (b) Preference
  - (c) Debentures
  - (d) Public deposits

- (viii) The result of the trading account is the \_\_\_\_\_ and it is transferred to the Profit and Loss account.
- (a) Gross Profit
  - (b) Net Profit
  - (c) Bills Receivable
  - (d) Bills Payable
- (ix) A \_\_\_\_\_ is an establishment for storage or accumulation of goods.
- (a) Bank
  - (b) Warehouse
  - (c) Budget
  - (d) Forecast
- (x) \_\_\_\_\_ means a promise to compensate in case of loss.
- (a) Causa Proxima
  - (b) Doctrine of Subrogation
  - (c) Indemnity
  - (d) Contribution

## SECTION B

*(Answer **any three** questions from this Section.)*

### Question 2

- (i) Explain Application Blank as a step in the selection process [2]
- (ii) What is a Production Budget? [2]
- (iii) Explain *any three* reasons why warehousing is important. [3]
- (iv) Explain any three Principles of Insurance. [3]

### Question 3

- (i) Explain 'Mobile Wallets'. [2]
- (ii) What is Insurance? [2]
- (iii) Write short notes on: [3]
  - (a) Fire Insurance
  - (b) Cash Credit
- (iv) What is External recruitment? Explain Employment Exchanges and Recommendations as sources of external recruitment. [3]

### Question 4

- (i) What is a Budget? [2]
- (ii) Explain Placement Agencies as sources of External Recruitment. [2]
- (iii) Explain *any three* steps of the Selection process. [3]
- (iv) Write Short notes on: [3]
  - (a) Discounting of bills of exchange
  - (b) IMPS

### Question 5

- (i) What is a Central Bank? [2]
- (ii) What is a Master Budget? [2]
- (iii) Explain any two functions of the Central Bank. [3]
- (iv) Write short notes on: [3]
  - (a) Intellectual Property Fraud
  - (b) Internet and Cyber fraud

### Question 6

- (i) State any two differences between Credit Card and Debit Card. [2]
- (ii) State any two Disadvantages of Internal Recruitment. [2]

- (iii) Use the following Trial Balance to complete the Final Accounts of Ms. K. Pant for the year ending March 31, 2021.

[6]

### TRIAL BALANCE

Particulars	Dr .	Cr.
Capital		3,78,000
Drawings	40,000	
Plant and Machinery	1,60,000	
Creditors		1,00,000
Debtors	1,40,000	
Purchases	2,75,000	
Purchase returns		14,000
Sales		4,40,000
Sales Returns	20,000	
Cash in Hand	30,000	
Wages	80,000	
Repairs	16,000	
Salaries	60,000	
Opening Stock	45,000	
Rent	24,000	
Bills Receivable	24,000	
Bills Payable		40,000
Bad Debts	10,000	
Carriage Inwards	18,000	
Furniture	30,000	
	<b>9,72,000</b>	<b>9,72,000</b>

Closing Stock was valued at Rs. 1,00,000

### Trading Account of Ms. K.Pant for the year ending March 31, 2021

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
To Purchases 2,75,000		By Sales 4,40,000	
(i) (–) _____	2,61,000	(–) Sales Return 20,000	42,000
To Wages	80,000	By Closing Stock	1,00,000
To Opening Stock	45,000		
(ii) _____	(ii) _____		
To Gross Profit transferred to Profit and Loss Account	(iii) _____		
	<b>5,20,000</b>		<b>5,20,000</b>

**Profit and Loss Account of Ms. K. Pant for the year ending March 31,2021**

<b>Dr.</b>		<b>Cr.</b>	
<b>Particulars</b>	<b>Amount</b>	<b>Particulars</b>	<b>Amount</b>
To Salaries	60,000	By Gross Profit	(iii) _____
To Repairs	16,000		
To Rent	24,000		
To Bad Debts	10,000		
To Net Profit transferred to Balance Sheet	(iv) _____		
	1,16,000		1,16,000

**Balance Sheet of Ms. K.Pant as on March 31,2021**

<b>Liabilities</b>	<b>Amount</b>	<b>Assets</b>	<b>Amount</b>
(v) _____		Plant and machinery	1,60,000
(-) Drawings 40,000		Debtors	1,40,000
(+) Net Profit (iv) _____	3,44,000	Cash in Hand	30,000
Creditors	1,00,000	Bills Receivable	24,000
Bills Payable	40,000	Furniture	30,000
		(vi) _____	(vi) _____
	<b>4,84,000</b>		<b>4,84,000</b>



## **Section-A**

### **Answer 1.**

- (i) (a) Production

**Explanation :**

The production budget is a forecast of the production for the budget period. It is prepared in two parts, viz., production volume budget for the physical units of the products to be manufactured and the cost of manufacturing budget detailing the budgeted costs.

- (ii) (c) Capital

**Explanation :**

Capital market consists of all organizations, institutions and instruments that provide long term funds to the borrowers.

- (iii) (b) Shares

**Explanation :**

The capital of a company is divided into small units of capital called shares. These shares can be classified into Equity shares and Preference Shares.

- (iv) (d) Aptitude

**Explanation :**

Aptitude means the potential which an individual has for learning the skills required to do a job efficiently. Aptitude tests measure an applicant's capacity and his potential for development.

- (v) (a) Recruitment

**Explanation :**

Recruitment is the process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organisation. It is the positive activity in the sense that it aims at reaching as many job-seekers as possible for jobs in the enterprise.

- (vi) (c) Clearing house

**Explanation :**

The Central Bank performs 'The-Clearing-House Function' for the commercial banks. This means, it settles the mutual claims of commercial banks by a process of book entries.

- (vii) (b) Preference

**Explanation :**

Preference shares do not carry voting rights. This privilege is available to only Equity Share holders who are considered to be true owners of a company.

- (viii) (a) Gross Profit

**Explanation :**

The result of the trading account is the Gross Profit and it is transferred to the Profit and Loss account.

- (ix) (b) Warehouse

**Explanation :**

A warehouse is a properly constructed place where surplus goods can be kept safely for future use.

- (x) (c) Indemnity

**Explanation :**

The principle of indemnity is based on the idea that the assured in the case of loss only shall be compensated against the actual loss.

## **Section-B**

### **Answer 2.**

- (i) A candidate who succeeds in preliminary interview is generally required to fill in a specially drafted application blank (form). The application blank contains the record of the candidate's qualifications, experience, etc. It can be used as a good test device to understand the expression, handwriting and other abilities of the candidate.
- (ii) The production budget is an estimate of the production, both in terms of physical quantity as well as cost aspect, for a specified period. It may be prepared in two parts, i.e., production volume budget for the physical units of the products to be manufactured and the cost of manufacturing budget detailing the budgeted costs.
- (iii) Following are the causes of importance of warehousing:
  1. **Seasonal Production:** Goods which are produced seasonally (like agricultural products) must be stored so that they can be supplied to the consumers throughout the year. In order to supply such commodities to the consumers, their storage is very much necessary.
  2. **Seasonal Demand:** Many goods (like woollen cloth, umbrella, rain coats, fans, etc.) are produced throughout the year but their demands are seasonal. Such goods must be stored and preserved in warehouse until the beginning of the next season.
  3. **Production at One Place but Demand at Various Places:** When goods are produced at a particular facility at a place, they must be stored in various warehouses near the customers. It enables goods to be available to the consumers whenever and wherever they are required by them.
- (iv) Following are the three principles of Insurance:
  1. **Utmost Good Faith:** All types of contracts of insurance depend upon the utmost good faith. Both parties (insurer and the insured) in the contract must disclose all the material facts for the benefit of each other. False information or non-disclosure of any important fact makes the contract voidable.
  2. **Insurable Interest:** The insured must have an actual interest called the insurable interest in the subject-matter of the insurance. A person is said to have an insurable interest in the subject-matter (i.e., property, human life, machinery, goods etc.) if he is benefitted by its existence and is at loss by its destruction. Without insurable interest the contract of insurance is void.



3. **Indemnity:** All types of contracts except life and personal accident insurance are contract of indemnity. A contract of insurance is a contract of indemnity. The principle of indemnity is based on the idea that the assured in the case of loss only shall be compensated against the actual loss and in no case more than the value of the policy.

**Answer 3.**

- (i) A mobile wallet is an app based payment service through which money can be transferred to another person or received from him. For this purpose one has to download a prescribed payment app on the smart phone and get registered for the same. The mobile application can be linked to one's bank account, debit card or credit card and payment can be processed by using QR scan code or the mobile number.
- (ii) Insurance is a contract between two parties by which one of them undertakes, against a sum known as premium, to indemnify the other against a loss which may arise on the happening of some untoward event. The document containing the contract is called the Policy of Insurance, the person insured is called the Assured or Insured, and the party which insures is known as the Assurer, Insurer or Underwriter.
- (iii)
  - (a) Fire insurance is the insurance which covers losses caused by fire. It is a contract of indemnity in which the insurer undertakes to indemnify the loss suffered by the insured caused by fire, against a consideration known as premium.
  - (b) Cash Credit is an arrangement by which the bank advances cash loans upto a specified limit to the customers against a security. When the cash loan is granted, the borrower opens a current account with that amount in the bank. The borrower has the right to withdraw the full amount of loan. Interest is charged on the amount actually utilised by the borrower and not on the whole amount granted to him.
- (iv) External source of recruitment refers to the sources external to the organisation through which the suitable candidates are searched. Following are the two external sources of recruitment:
  - 1. **Employment Exchanges:** The Government has set up employment exchanges throughout the country. Anyone seeking employment can get himself registered in the employment exchange. Employees notify the vacancies and the various exchanges refer suitable candidates for recruitment.
  - 2. **Recommendations:** Applicants introduced by employees, their friends and relatives may prove to be a good source of recruitment. It saves the cost and time of organization in searching for suitable candidates.

**Answer 4.**

- (i) Budget is an estimate of the financial activities of the business to achieve certain specific purpose. In other words, budget is an outline of future financial activities. Primarily it involves an estimation of the future receipts and payments.
- (ii) A placement agency is an institution which assists other organisations in recruiting and selecting suitable human resources. There are several recruitment agencies such as ABC consultants, A. F. Ferguson Associates, etc., which provide recruitment and selection services to various companies.
- (iii) The steps of the selection are following:
  - 1. **Preliminary Interview:** The very first stage of the selection process is the preliminary interview of the candidate. The preliminary interview is generally conducted by a junior level officer or functional specialist to determine whether it is worthwhile for the candidate to move to the next stages of the selection process.
  - 2. **Blank Application:** The candidate who succeeds in preliminary interview is generally required to fill in a specially drafted application blank (form). The application blank contains the record of the candidate's qualifications, experience, etc. It can be used as a good test device to understand the expression, handwriting and other abilities of the candidate.

3. **Selection Tests:** A Candidate may be required to undertake employment tests to express his knowledge of his domain. These tests are of various types based on the specific requirement of the job.
- (iv) (a) Discount of a bill refers to the payment of a bill of exchange by the bank at some discounted rate. When the holder of the bill of exchange need money before the maturity of the bill, it may present the bill before its bank which can make the payment after deducting some amount as the discount. Later the bank may get its payment for the drawee after maturity period.
- (b) IMPS is the short form of Immediate Payment Service. It refers to the real time inter-bank electronic fund transfer service. Through this service, a client of a bank can instantly transfer a certain amount to any other person who has bank account with any other bank. This service is provided by National Payments Corporation of India (NPCI) 24x7 in a year.

**Answer 5.**

- (i) Central Bank is the apex policy making and monitoring institution of the monetary and banking system of the country. Reserve Bank of India is the Central Bank in India.
- (ii) Master budget is a consolidated summary of the various functional budgets. It is the culmination of the preparation of all other budgets, like the sales budget, production budget, purchase budget etc. It consists in reality of the budgeted profit and loss account, the balance sheet and the budgeted funds flow statement.
- (iii) Following are the functions of a central bank:
  1. **Issue of Currency:** The central bank has the monopoly of issuing currency notes of the country. For issuing the notes, the central bank has to maintain a minimum reserve of gold, silver and foreign securities so as to inspire and retain the confidence of the people in the paper currency.
  2. **Custodian of Foreign Currency:** The central bank is the custodian of the foreign exchange reserves of the country. The reserves with central bank are utilized for making payments to foreign countries.
- (iv) (a) **Intellectual Property Fraud:** This type of fraud is committed when the fake and counterfeit products and pirated products which are no longer original are passed to customers as being original. Such kinds of fraud generally take place in the areas of health, fashion, softwares, films and music etc.
- (b) **Internet and Cyber Fraud:** Internet refers to the global network of computers linked with communication lines and facilities. Cyber fraud refers to the use of internet to befool or cheat the people by hacking, downloading malware or spyware, sending spams etc. Hackers steal financial information of people in this way and harass them for financial or personal gains.

**Answer 6.**

- (i) Following are the two differences between credit card and debit card:

	Credit Card	Debit Card
1	A credit card entitles the holder to buy goods and services on credit no matter the amount is available or not in his bank account.	A debit card entitles the holder to buy goods and services only when he has amount available in his bank account.
2	It is a kind of loan facility to the holder.	It is a cash withdrawing facility or payment alternative of available cash in the bank account.

- (ii) Following are the two disadvantages of internal recruitment:
  1. **No Opportunity for Outside Deserving Candidates:** The major drawback of this source is that the enterprise may deprive of competent, talented and deserving candidates from outside.
  2. **Promotion of Inefficient Employees:** Sometimes, unsuitable persons may use their influence to get promotions. They are promoted from within the organisation without giving any importance to merit simply because they are working in the organization and have good relations with the superiors.

(iii) **Trading Account**

- (i) Purchase returns - ₹ 14000
- (ii) Carriage Inwards – ₹ 18,000
- (iii) Gross Profit – ₹ 116000

**P&L Account**

- (iii) Gross Profit – ₹ 116000
- (iv) Net Profit – ₹ 6000

**Balance Sheet**

- (v) Capital – ₹ 378000
- (iv) Net Profit – ₹ 6000
- (vi) Closing Stock – ₹ 100000

