

ICSE Paper 2018
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) Spot Market and Future Market [2]
- (b) Institutional Advertising and Product Advertising [2]
- (c) Fixed Deposit Account and Recurring Deposit Account [2]
- (d) Fixed Cost and Variable Cost [2]
- (e) Recruitment and Selection [2]

Answer:

- (a) Difference between Spot Market and Future Market:

Spot Market	Future Market
Goods are physically transferred from the buyers to the sellers in the spot market.	In the Future Market, commodity exchange which are organised for making future contract which does not require actual delivery of goods from seller to the buyer.

- (b) Difference between Institutional and Product Advertising:

Institutional Advertising	Product Advertising
This type of advertising is used to build the goodwill or image of an Organisation or institution in public.	In this type of advertising, it focuses on a particular product or brand or service of an enterprise.

(c) Difference between Fixed Deposit Account and Recurring Deposit Account:

Fixed Deposit Account	Recurring Deposit Account
Fixed Deposits are made for a specified period and cannot be withdrawn before the expiry for which they have been deposited in the bank.	Recurring deposit can be opened with small amount over a specified period, the depositor keeps on depositing a certain sum of money every month.

(d) Difference between fixed cost and variable cost:

Fixed Cost	Variable Cost
The cost which are attributed to fixed factors of production are called fixed cost.	The cost which vary or change with the change in the size of outputs are called variable cost.

(e) Difference between Recruitment and Selection :

Recruitment	Selection
Searching prospective employees and stimulating them to apply for jobs called recruitment.	Choosing the candidates having necessary qualifications and eliminate all unsuitable candidates is called selection.

Question 2.

- (a) Mention any two essentials of a Brand. [2]
- (b) State any two uses of Income and Expenditure Account. [2]
- (c) Mention any four elements of Price Mix. [2]
- (d) Mention any two harmful effects of global warming. [2]
- (e) What is meant by Vestibule Training ? [2]

Answer:

(a) The essentials of a brand are :

1. The brand name should be brief and clear.
2. It should be suggestive of the utility of the product.

(b) The two uses of Income and Expenditure Account are :

1. It is prepared with the object of finding out the surplus or deficit of current incomes over current expenses.
2. It serves as the basis for preparing the Balance Sheet of non-trading organisation.

(c) The four elements of Price Mix are :

1. Discounts : A firms will increase the sales by giving discounts to the customers.
2. Price Policy : It is the standing answer of the firm to recurring problem of pricing.
3. Credit : It denotes confidence of the lender in the honesty and integrity of the borrower and his ability to repay his debit in time.

(d) (d) The two harmful effects of global warming are:

1. Global warming could have disastrous effects on the environment, e.g., sea level rise, polar ice melts etc.
2. It have serious impact on human lives by affecting freshwater availability, agriculture yield etc.

(e) Vestibule Training is also known as “Off the Job Training.” New workers are trained with specialised machines and equipments under practical work situation. Trainees have an opportunity to get accustomed to the work routine and recover from their initial nervousness before going on the actual jobs.

Question 3.

(a) Mention any two merits of external sources of recruitment. [2]

(b) What is a Bank Draft ? [2]

(c) What do you mean by business ethics ? [2]

(d) Give two reasons for the growing importance of Public Relations to business enterprises. [2]

(e) Give two General Utility functions of Commercial Banks. [2]

Answer:

(a) The two merits of external recruitment are given below:

1. election from external sources facilitates the choice of personnel from a large number of applicants.
2. The enterprise greatly benefits from the freshness of outlook and approach of personnel chosen from external sources.

(b) Bank draft is a type of cheque which is drawn by a bank either on its own branch or on another bank. In order to remit money through a bank draft, a person first obtains the bank draft from the bank. The draft commission is paid in advance by the sender of the bank draft. The payment of an uncrossed bank draft can be collected at the center of the bank on which it is drawn.

(c) Business ethics is the written and unwritten code of principles and values that govern decisions and actions within a company. The purpose of business ethics is to guide the managers and employees in performing their jobs.

(d) The following are the reasons for the growing importance of Public Relations to business enterprises:

1. The development of an astoundingly vast and intricate network of mass communication media
2. The increasingly keen competition in the world economy has imposed a regard for public opinion and an urgent need for public support.

(e) The General utility functions of Commercial Banks are:

1. Issuing letter of credit and standing as surety for customers.
2. Accepting and discounting bills of exchange of exporters.

Question 4.

Justify a reason either for or against each of the following:

- (a) A Receipts and Payments Account is a nominal account. [2]
- (b) Some costs are semi-variable in nature. [2]
- (c) Human Resource is the most valuable asset to business enterprises. [2]
- (d) A company needs to pay for its publicity to the media owners. [2]
- (e) With reference to the concept of accounting only those transactions are recorded in accounts which can be expressed in terms of money. [2]

Answer:

(a) No, Receipts and Payment Account is not a nominal account. It is a real account (debit what comes in, credit what goes out). The primary object of preparing this account is to find out the cash position and to show receipts and payments under different heads. As, it is summary of cash transactions appearing in the Cash Book

(b) Yes, some costs are also semi-variable costs in nature. These costs do not vary proportionately but don't remain constant with the change in the volume of output. For example, in telephone cost, basic rental cost is fixed but call rates are vary.

(c) Human Resource Development is a system of developing in a continuous and planned way the competencies of individual employees, dynamic groups, teams and total organisation to achieve organisational goals. It also maintain the high morale and better human relations would then be measured in terms of these more tangible criteria.

(d) A company needs to pay for its publicity to the media owners. As the company have to pay money for communicating the new and different uses of their products which will increase the demand of the product and boost nation's economy too.

(e) Money is a common denominator. Money measurement concept helps to make accounting records homogeneous, relevant, simple and understandable. In other words, an event, howsoever important may be to the business, will not be recorded unless its

monetary effect can be measured with a fair degree of accuracy. So, in this concept, only those transactions are recorded in accounts which can be expressed in terms of money.

SECTION – B [60 MARKS]

Attempt any four questions from this Section

Question 5.

- (a) Distinguish between 'Product' and 'Services'. [5]
 (b) Explain the strategies to be adopted during the Introduction Stage and the Growth Stage of Product Life Cycle. [5]
 (c) Explain 'Accounting Period Concept with reference to concept of accounting. [5]

Answer:

(a) Difference between Product and Services.

Basis	Product	Services
(i) Market Relationship	Product and brand are the focus of transaction.	A very important link.
(ii) Quality	Can be measured and controlled.	Difficult to control and measured.
(iii) Inseparability of buyer and seller	Fully separable, remote transactions are possible.	Not separable, remote transactions not possible.
(iv) Sensitivity to time	Low sensitivity, e.g., a soap can be bought in advance of need.	Highly sensitive, e.g., doctor's services are needed when there is a patient.
(v) Brand	Main strategy in product marketing.	People are equally important.

(b) The strategies adopted during Introduction stage are :

1. Selective distribution and attractive discount should be given.
2. Proper advertisement of product.
3. Removing technical and other deficiencies in the product.
4. Attractive gifts to customers as an introductory offer.

The strategies adopted during Growth stage are :

1. Keeping the price at competitive levels.
2. Expanding distribution channels to make the product available wherever demanded.
3. Greater emphasis on customer service.
4. More advertising to create brand image.

(c) Accounting statements are prepared at regular intervals, generally One year. This is called Accounting period concept. The expenditure whose benefit will across over a long

period, should be apportioned suitable over each year. The users of financial statements need periodical reports on the performance of business. As such, the results of business can be ascertained only after the liquidation of business. But the measurement of net profit and financial position of the business after a very long period will be of little use of owners, managers, investors and other.

Question 6.

(a) What is direct selling ? Mention four circumstances where direct distribution is more suitable than indirect channels of distribution. [5]

(b) Explain any five qualities of a good salesman. [5]

(c) Explain Matching Principle of Accounting. [5]

Answer:

(a) When producer or the manufacturer directly sells the goods to the customers without involving any middlemen, it is called direct selling. For example, McDonalds, Bata etc. The producer can sell their product or services to customers by mail order selling, door-to-door selling etc. There are some circumstances where direct distribution is more suitable than indirect channels of distribution:

1. In case of industrial goods like CT Scan machine, direct channel should be preferred because they are technical, expensive, made to order and purchased by few buyers.
2. Short channels are preferred for technically complex goods like industrial or engineering products like machinery etc.
3. Direct channels are used if management wants greater control on the channel members otherwise a company can go in for longer channels.
4. Perishable products like fruits, bread or vegetables are distributed through direct channels.

(b) The following are the qualities of a good salesman:

(i) Knowledge : Salesman should have adequate knowledge of his company, its product, rival products, consumer behavior etc. He should have knowledge about the price at which the competitor is offering goods or services.

(ii) Sociable : A good salesman always mixes up with people without any restraint. He should have the quality of adjusting with the customers of different nature. He should be a convincing, conversationalist and should be able to present his proposition pleasantly.

(iii) Physical Attributes : A successful salesman must have sound health and pleasing personality. He should have capacity for hard work, a good stamina and sufficient tolerance. He should be mentally fit to understand what prospect says on one hand and on the other to make prospect understand what he says.

(iv) Initiative : Initiative is needed in prospecting, approaching and convincing the buyers even without prior direction. An effective salesman also needs to have presence of mind and good common sense.

(v) Personality : A good salesman should always has neat and clean appearance and he should ' be dressed up in accordance to the particular working conditions. Personality is a composite of various features of a person – habits, appearance, way of dressing, posture, voice etc. He should not be casual.

(c) Matching Principle of Accounting : According to this principle, cost of a particular period should be charged from the revenue of same period only. This principle provides the guidelines as to how the expenses are to be matched with revenue. For matching costs with revenue, first revenue should be recognized and then costs incurred for generating that revenue should be recognized. It requires that in determining the net profit, all costs which are applicable to revenue of that period should be charged against that revenue. The following points should be considered while matching costs with revenue :

1. Cost of goods remaining unsold at the end of there year together with expenses incurred on them must be carried forward to the next year.
2. When a item of revenue is included in the profitaodloss account, all expenses incurred on it whether paid or not, should be included in the profit and loss account.
3. Incomes received in advance must be treated asa liability, while income earned but not received should be recognized as revenue.
4. If an amount is spent, but revenue from it will be earned in the next year, the amount should be carried down as an asset and should be shown as an expense next year.

Question 7.

(a) Write short notes on : [5]

(i) Consumer Rights

(ii) Direct and Indirect Labour cost

(b) Explain any two functions of a central bank of a country. [5]

(c) Explain any two methods of On-The-Job Training. [5]

Answer: .

(a) (i) Consumer Rights are now an integral part of our lives like a consumerist way of life market resources and influences are growing by the day and so is the awareness of one's consumer rights. The following are the consumer rights:

(A) Right to Safety

(B) Right to be Informed

(C) Right to Choose

(D) Right to be Heard

(E) Right to seek addressed

(F) Right to Consumer Education

(ii) Direct Labour Costs is that cost which are specifically and conveniently traceable to specific products. Labour takes an active and direct part in the production of a goods. Indirect Labour Costs is that cost which cannot be easily traced to specific units of output. Labour is employed for carrying out tasks incidental to goods produced.

(b) The following are the two functions of a Central Bank :

(i) Banker's Bank : The central bank acts as a banker to all the commercial banks in the country. This means, the relation of the central bank with other banks of the country is almost alike to those of a bank with its customer. Commercial banks are required to keep a certain proportion of their deposits in the form of cash reserves with the central bank. These reserves facilitates the central bank to control the issue of credit by commercial banks.

(ii) Custodian of Foreign Currency : The central bank is the sole custodian of gold and foreign currency reserves of the country. It preserves the reserves of the country, in order to utilize them for making payments to foreign countries when the balance of payments is unfavorable, foreign exchange resources are reduced. The central bank, therefore, advises the government to impose restrictions on exports and encourage imports or vice-versa in such a way that the balance of payments may be favorable to the country.

(c) The two methods of On-The-Job Training are :

(i) Apprenticeship Training: In this method, the trainees learn by working with those who are already skilled in their jobs. It aims at providing necessary background; practical knowledge and necessary experience to the worker. The Government of India has set up Industrial Training Institutes (ITIs) for the purpose of apprenticeship training. During this training, trainee may be given a stipend.

(ii) Job Rotation: In this method, the trainee is periodically rotated from job-to-job. The trainee gets job knowledge and gains experience in different assignments. Few persons have the capacity to move from one job to another. So, the persons to be trained and the jobs to which they are to be rotated should be selected carefully.

Question 8.

(a) Briefly explain the elements of public relations. [5]

(b) Explain:

(i) Campus Recruitment [5]

(ii) Placement agencies as external sources of recruitment.

(c) What is energy crisis ? Discuss any two renewable energy sources that would help meet this crisis. [5]

Answer:

(a) Public Relation is a philosophy and function of management expressed in policies and practices which serve the public to secure its understanding and goodwill.

The following are the various elements of public relations:

1. Target group Orientation : The target group to be reached must be clearly identified for any campaign. The definition of the target group should be in demographic and psycho graphic terms.
2. Adequate Resources : To be effective, and to make the desired impact, advertising, publicity and public relations programmes must be sustained and backed with adequate financial resources.
3. Media Selection : The media to be used must be those which reach the right target group at the right time, and at the minimum cost.
4. Objective Orientation : All advertising, publicity and public relations programmes must have pre-defined short-term and long-term objectives as a prerequisite.
5. Creativity and Innovations : The more creative and innovative you can be, the better your message will be noticed and the better will be the chance of your being able to achieve your goals.

(b) (i) Campus Recruitment : Jobs in business have become highly technical and require well-educated persons. The employer gets help from the placement cell of the educational institute in recruitment and the selection. Companies send their managers to such institutions where there are suitable candidates recommended by institutes. For example, students passing out from IIMs and IITs are recruited every year at the campus itself.

(ii) Placement agencies : Placement agencies consists of private agencies and professional bodies. These agencies keep bio data of a large number of candidates and provide a nation wide service of recommending suitable names to their clients. They also keep a complete record of skills and qualification of the candidates and sometimes even advertise the jobs on behalf of their clients in order to recruit the most potential candidate. This source of recruitment is employed for recruitment of senior managers and technicians.

(c) An energy crisis is any great bottleneck in the supply of energy sources to an economy. It is also the gap between demand and supply. It usually refers to the shortage of oil, or the shortage of electricity or other natural resources. Renewable energy is energy generated from natural resources which can be generated continuously in nature and are inexhaustible. The various renewable sources of energy are :

(i) Solar Energy : Solar energy is the energy received by the earth from the sun. The solar energy can be converted into other forms of energy mainly by two methods :

1. Thermal Method : In this method, solar radiation in the form of heat is converted into mechanical, electrical and chemical energy by using solar thermal devices.
2. Photo voltaic Method : The sun's energy is directly converted into electricity using a photo voltaic cell.
3. Biomass Energy : Biomass includes firewood, crop and timber wastes, aquatic plants, animal wastes and organic matter from household, municipal and

certain types of industrial wastes. India produces about 300 million tones of crop residue every year in which it generate about 40,000 MW of electricity.

Question 9.

Flipkart, a Bengaluru based company, which started in the year 2007 as an online book store is now India's largest e-retailer. It is popular in the books and electronics segment but it now sells products across categories including fashion, consumer durables, home decor and furniture. Flipkart is doing very good business and it acquired 100% of Myntra, but Myntra will operate as an independent entity. Mobile Brand 'Motorola' is selling their new launches in India through Flipkart. The company aims at becoming leader in every segment.

India's e-commerce market has seen growth in the past few years as more people log on to file Internet to shop online. Goods can be bought on 'cash on delivery'. Various banks like HDFC, Axis and ICICI tied up with the reputed e-sellers, so as to convert online purchases into convenient equated monthly installments. Amazon, the world's largest e-retailer entered India and in few . months the company has aggressively gained market share by expanding its product range and introducing the one day delivery system. Soon after Flipkart also introduced one day delivery and the same day delivery in selected towns and cities. With reference to the above :

(a) What is online shopping ? [5]

Name any three companies do online trading in India.

(b) What are the reasons for the increase in online shopping in India ? [5]

(c) Identify the distribution channel adopted by Motorola in selling its new launches. [5]
Briefly explain few other distribution channels adopted by marketers.

Answer:

(a) Online shopping is very convenient and hasslefree and customers can order goods or products 24 hours a day. They can access information on the internet about competing brands. The sellers or producers sells products across all over the world and sells across various categories including fashion, consumer durables, home decor, furniture etc. It is the place where seller can quickly add products and change prices and descriptions also. The companies who do online trading in India are Flipkart, Amazon, Myntra etc.

(b) The various reasons for the increase in online shopping in India are :

1. Consumers can easily compare prices and review online before making a purchase.
2. Customers increasingly prefer the flexibility of online shopping as it offers the convenience to shop when they want and from wherever they happen to be.
3. Online shopping offers a much easier way for customers to search for exactly what they want at the click of button.
4. An online store allows customers the option to shop from further a field as they are not restricted by geographical location.
5. Customers can buy things at cheaper prices.

(c) Direct channels of distribution adopted by Motorola in selling its new launches.
There are various distribution channels adopted by marketers :

1. Telemarketing : The products are heavily advertised on T.V. The consumers who watch advertisements and feel interested can place their orders.
2. One Level Channel : This channel involves the use of one middleman who in turn sells them to the ultimate customers. This channel is often used for the distribution of consumer durables and products of high value.
3. Two Level Channel : This channel is suitable where producer has limited finance and narrow product line or where the wholesalers are specialised. Under this, wholesaler and retailer act as a link between the manufacturer and the customers.
4. Three Level Channel : This is the longest channel of distribution. The producers hands over his entire output to the selling agent who distributes it among a few wholesalers. This level is usually used when a manufacturer deals in limited products and wants to cover a wide market.

Question 10.

The oldest Indian confectionery company wants people to know that their cookies and biscuits are from the “House of Parle”. The company finds it important to reinstate the credibility and familiarity of the brand. From now onwards, the company will advertise its products under the tagline “From the House of Parle”.

Parle is sitting on a strong pedigree of many individual brands, with reference to brand equity, while the flagship Parle-G is worth ₹ 5000 Crore plus and by far the biggest brand in the portfolio combining nearly 30% of overall share, others like Parle 20-20 and Parle Magix Cream are among ₹ 1000 Crore and Crackjack, Monaco and Hide & Seek around ₹ 500 Crore.

The fact that Parle is strongly associated with Parle-G, the world’s largest biscuit brand, is both a strength and a weakness. The company today suffers an image deficit compared to Britannia and ITC’s Sunfeast. With this latest campaign, Parle is careful enough not to take either of the two extreme routes – harping multiple brands or shifting focus on the corporate brand alone. Instead, it has opted for a more judicious mix.

Researchers are comparing the current Parle strategy to the Titan strategy. The watch brand, in its early days, used the tagline “From the house of Tatas”. However, when it became a big brand itself, various sub-brands like Raga, Nebula, Edge, etc. all started using the tagline “From Titan”. In the same way, Parle is trying to bring forth the main brand in the mindspace of consumers and make the sub-brands its subordinate.

With reference to the above :

- (a) Explain the brand policy Parle has taken to advertise its products. [5]
- (b) What is brand equity ? Explain the brand equity Parle products are measured in and mention the sub-brand which has the highest brand equity. [5]
- (c) What is brand promotion ? Explain two methods of brand promotion. [5]

Answer:

- (a) The Parle adopt familiarity brand policy. The company advertise its product under the tagline “From the House of Parle”. It is a formal plan used by a business to create a

particular image of itself in the mind of current and potential customers. Parle is sitting on a strong pedigree of many individual brands. They can build its prestige and goodwill by offering quality brands at reasonable prices.

(b) Brand equity means the marketing effect of a brand. High brand equity provides a company with many competitive advantages. Brands have equity because they create high awareness, many, loyal customers and high reputation for perceived quality. It also refers to the result from the marketing of a particular product or service because of its brand name and that would not occur if product don't have brand name.

With reference to brand equity, while the flagship Parle-G is worth ₹ 5,000 Crore plus and by far the biggest brand in the portfolio combining nearly 30% of overall shares, other like Parle 20-20 and Parle Magix cream are among ₹ 1000 Crore and Crackjack, Monaco and Hide & Seek around ₹ 500 Crore.

(c) Brand promotion is that element of marketing mix that aims at informing, reminding, persuading and influencing the customers so that they purchase the brand. It is applied and persuasive communication used for informing and reminding the customers. Its aim is to persuade the customers to buy more and more products. So that it will increase the company's sale. Brand promotion efforts seek, to stabilize sales by minimising the impact of such fluctuations. It facilitates mass production which leads to economies of scale and lower costs.

The two methods of brand promotion are given below :

(i) Publicity : Publicity refers to the non-personal stimulation of demand for a brand by placing – important news about it in published medium. Public relations activities are typically designed by the firm to build image for the firm. For example, Reliance World Cup Cricket Tournament, ITC Sangeet Sammelan, etc. Good or Bad remarks or reviews appearing in newspapers or magazines about a film, book, a policy etc. are also called publicity.

(a) Sales Promotion : It refers to the use of short term incentives to persuade the people to purchase the goods or services immediately. The basic purpose of sales promotion is to stimulate on the spot buying through short-term and non-recurring incentives which helps to increase the sales and profits. It also help to inform the prospective buyers about the availability, features and uses of product. There are some techniques of sales promotion i.e., Rebate, Discount, Product combination, Refunds, Lucky draw, Sampling etc.