

MAHESH TUTORIALS I.C.S.E.

ICSE X

Marks : 80

SUBJECT : **COMMERCIAL STUDIES**

Exam No. : MT/ICSE/PRELIM -I -SET A- 012

Time : 2 hrs.

Model Answer Paper

A.1.

(a)

Basis of Distinction	Verbal	Non-verbal
1. Meaning	Communication through spoken and written words is known as verbal communication	Communication without using words is called non verbal communication.
2. Types	a. Spoken (Oral) Communication b. Written Communication	a. Body Language b. Paralanguage c. Proximics d. Visual Communication e. Aural Communication f. Audio-Visual communication

[2]

(b)

Budget and Forecast

Basic of Distinction	Budget	Forecast
1. Meaning	A Budget is a statement of planned events. It reflects the programme to be followed in future under definite conditions.	A forecast is merely an estimate of what is likely to happen. It is a statement of probable events.
2. Prepared by	Budget is a plan that requires authority of management.	A forecast is a judgement that can be made by anybody.

[2]

(c)	Fixed Cost and Variable Cost			[2]
	Basis of Distinction	Fixed Cost	Variable Cost	
1. Behaviour	Fixed costs remain constant within a given range of activity and a given time period inspite of changes in the volume of output.	Variable costs vary in proportion to changes in the volume of output.		
2. Basis	Fixed costs are time based.	Variable costs are activity based.		
3. Total and per unit cost	Fixed costs are fixed in total but vary per unit.	Variable costs are fixed per unit but vary in total.		
(d)	Coupons and Premiums			[2]
	Point of Distinction	Coupons	Premiums	
1. Meaning	A coupon is a certificate that entitles its holder to a specified saving or discount or gift on the purchase of a particular product.	A premium is the offer of an article free of cost or at a nominal price on the purchase of a specified product.		
2. Uses	Coupons are often used for consumer products of daily use to increase sales during the slack period.	Premiums are used in case of convenience goods like detergents, toothpaste, toilet preparations which are bought frequently.		
(e)	Sales Promotion and Advertising			
	Point of Distinction	Sales Promotion	Advertising	
1. Meaning	Marketing activities which stimulate consumer buying and dealer effectiveness.	Any paid form of impersonal presentation and promotion of a product, service or idea by an identified sponsor.		
2. Time horizon	Short term perspective. To increase immediate sales.	Long term prespective. To build image of producer and his product.		[2]

A.2.	(a) Cash budget is a summary statement of the firm's expected inflows and outflows of cash over a future time period. It involves a projection of future cash receipts and cash payments over different time intervals.	[2]
	(b) Formal communication refers to official communication. It takes place through the paths officially created by the organisation. The scalar chain of authority consisting of superior subordinate relationships provides the channels for formal communication.	[2]
	(c) Pay-in-slip contains a number of printed pay-in-slips with perforated counterfoils.	[2]
	(d) ATM stands for automatic teller machines. It is a self - service terminal open 24 hours a day. The customer inserts his ATM card into the terminal and then inserts the identification code. The machine responds by giving cash, accepting deposits, and handling other simple transactions. It provides round the clock service. A customer can withdraw and deposits money when banks are closed.	[2]
	(e) Brand promotion is that element of marketing mix which is designed to inform, remind, persuade and influence the customers so that they purchase the brands of the advertiser company. Brand promotion is applied and persuasive communication used for informing and reminding the customers of the company's brands.	[2]
A.3.	(a) Finance is required in marketing to keep stocks, to meet transport, storage and other costs and to grant credit. In other words, financing facilitates the marketing activity.	[2]
	(b) Any four sources of external recruitment are as follows: i. Advertisements ii. Employment Exchange iii. Placement Agency iv. Campus Interviews	[2]
	(c) According to Philip Kotler “Marketing reseach is a systematic problem analysis, model building and fact finding for purpose of improved decision - making and control in the marketing of goods and services.” -	[2]
	(d) Two Disadvantages of Road Transport over Water Transport are as follows: i. Road transport is flexible as compared to water transport, as in road transport door to door service is available, but door to door service is not possible in case of water transport. ii. Road transport is faster mode of transport as compared to water transport at short distances.	[2]
	(e) When the organisational structure of a firm is complex consisting of several level of authority, there are greater chances of distortion or breakdown in communication which tends to be slow and right. In this way organisational barrier affects Effective communication.	[2]

<p>A.4.</p>	<p>(a) Features of consumer Protection Act, 1986 are as follows: i. Social Welfare Law : It is highly progressive piece of social welfare legislation. It is acclaimed as the Magna Carta of Indian consumers. This is a unique law which directly pertains to consumer in the market place and seeks to redress complaints arising therefrom. ii. Special Consumer Courts: The act has created special consumer courts for enforcement of the rights of the consumers.</p> <p>(b) Functions of a Trade Union are as follows: i. Self - Expression: Unions serve as a medium through which workers can express their grievances and suggestions to employers. ii. Collective Bargaining: A trade union negotiates and bargains with the management to settle the terms and conditions of employment.</p> <p>(c) According to Philip Kotler “Marketing reseach is a systematic problem analysis, model building and fact finding for purpose of improved decision-making and control in the marketing of goods and services.”</p> <p>(d) Deferred revenue expenditure refers to the revenue expenses the benefit of which extends beyond the current accounting year. However, such expenditure does not result in the acquisition of any permanent asset. For example, heavy advertising expenditure is incurred to introduce a new product in the market.</p> <p>(e) A trade mark is a branch or part of a brand that is given legal protection. It protects the seller’s exclusive right to use the brand name and /or brand mark. Under the Trade and Mercantile Mark Act, 1958 trade mark means a registered trade mark used or proposed to be used in relation to the goods for the purpose of indicating or so as to indicate a connection in the course of trade between certification trade mark registered under the Act.</p> <p style="text-align: center;">SECTION B (40marks) Attempt any four questions from this section</p>	<p>[2]</p> <p>[2]</p> <p>[2]</p> <p>[2]</p> <p>[2]</p>
<p>A.5.</p>	<p>(a) Expectations of Employees (i) security of job and continuity of service under congenial conditions. (ii) a fair remuneration in the form of wages and salaries (iii) safe and comfortable working environment (iv) various welfare facilities such as housing, medical care, social security (in the form of pension, gratuity, provident fund, etc.), health, recreation, etc. (v) opportunities for education, self-development, promotion and career growth.</p> <p>(b) The main skills that are required for effective communication are as follows :</p>	<p>[5]</p>

1. **Speaking skills** : Ability to speak well is a valuable skill. Speaking is an art and it can be mastered through training and practice. The following guidelines can help you become a good speaker:
 - a) **Know Your Subject** : A good speaker must know and understand the topic on which he is speaking. He must have full facts to support his arguments. Otherwise he will fail to impress and win his audience.
 - b) **Know Your Audience**: The effectiveness of a speaker depends largely on the intelligence, attitudes and behaviour of his audience. You must know your audience (age, education, interests, attitudes, etc.) so that you tailor your words, tone and pitch to suit them. Before you say something, consider its possible effect on the audience. Otherwise you may have to deny or retract what you have said.
 - c) **Adopt Right Posture** : A speaker should maintain eye contact with his listener. It helps to maintain a link and to personalise what you say. Do not speak with your head down. Do not create a barrier between you and your audience, e.g., a brief case. Be face-to-face with your audience.
2. **Listening skill** : Listening with complete attention and empathy is essential for success in communication. Some guidelines for effective listening are as under.
 - a) **Positive Attitude** : As stated earlier, negative attitudes, bias and ego close the mind and lead to poor listening. Therefore, listen with a positive attitude and do not allow your prejudices to close your mind. Listen with an open mind free from bias. Try to like the speaker and take interest in what he is saying. Put the speaker at ease.
 - b) **Minimum Notes** : Do not try to note down everything the speaker is saying. Keep the notes to the minimum key points as an aid to memory.
 - c) **Body Language** : A good listener should use both eyes and ears. Pay attention to the facial expressions and gestures of the speaker. These indicate the speaker's mind and reveal what is unsaid. For example, high tone and pitch signify excitement and anger. By watching the body language you can listen to what you can't hear. Listen between the lines.

[5]

A.6.

(a)

Functions of Exchange : Once the right type of product or service is developed, it must be transferred to customers. Activities involved in transfer of ownership from producer/seller to customer are called activities of exchange. Products are bought and assembled from different sources to meet diverse needs of consumers. The products are sold in small lots over a period of time. Thus, buying, assembling, selling and dividing are the activities of exchange.

1. **Buying and assembling** : Buying and assembling of goods and raw materials is an important function of marketing. Buying refers to the purchase of raw materials for use in manufacturing and the purchase of finished goods for the purpose of resale. Efficient and economical buying is essential to successful selling. "Goods well bought are half sold". Buying involves the following steps:
 - a) determination of customers' needs in terms of quantity, quality, time, etc.

	<p>b) selecting the source of supply on the basis of relative prices, quality, service, reliability, etc.</p> <p>c) determining the mode of purchase,</p> <p>d) negotiating for price and terms of sale,</p> <p>e) transfer of title, and</p> <p>f) payment for the goods.</p> <p>2. Selling and Dividing : Selling is the heart of marketing. 'Nothing happens until somebody sells something.' The purpose of all marketing activities is to sell the goods or services. Selling enables a firm to satisfy the needs of the customers, and thereby achieve its objectives. Selling is the process of finding the customers, creating demand and transferring the goods for value or money. In order to sell its products, a business firm has to perform several functions like informing the buyers and persuading them to buy. For creating demand and increasing sales, the firm makes use of advertising, salesmanship and sales promotion. Selling also involves negotiating terms of sale, sales forecasting, choice of channel of distribution, etc.</p> <p>(b) Observation Method : Observation refers to the process of recognising and noting facts or events. Under this method, the behaviour of consumers is watched through personal observation or mechanical devices. The observation method avoids the pitfalls of questioning such as interference in the consumer's activity, bias of the interviewer and distortion due to the consciousness of being questioned. Normal and spontaneous actions can be revealed. The observation method is thus suitable for finding out what people do rather than why they do it. It is used to measure the effectiveness of sales techniques, consumers' reactions to a particular product, the brands a retailer pushes, utility of an advertising medium, etc.</p> <p>Experimentation Method : Under the experimentation method, a control market is established in which all forces except those being tested are kept under check. Reactions are recorded under controlled conditions to test a theory. In the words of Stanton, "experimental method of collecting marketing information involves the establishment of a scale or a controlled experiment which stimulates the real market situation as much as possible. This is based on the theory that the small scale experiment will furnish valuable information in designing a large scale marketing programme."</p> <p>Experimental method provides lessons which can be used to make large scale marketing activity more effective and profitable. This method is realistic as it simulates the actual market situation. The method involves a large expenditure of time and money. It requires skilled investigators. Moreover, it is difficult to select test markets and to control the variables.</p> <p>Survey Method : This method involves getting answers to specific questions from the entire market or a representative sample of it. A survey is a detailed enquiry to collect information from either the entire universe or a part of it. Survey method involves the preparation and use of a questionnaire (a list of questions) and, therefore, it is also known as 'Questionnaire method.'</p>	<p>[5]</p> <p>[5]</p>
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A.7.

(a) These are joint stock banks which receive deposits from the public and business firms. They also provide short-term and medium-term loans to customer. These banks carry on all kinds of banking functions within the framework of the Banking Regulations Act, 1949 in India. Commercial banks are classified into two broad categories-scheduled and non-scheduled banks. Scheduled banks are those included in the second schedule to the Reserve Bank of India Act. Commercial banks not included in this schedule are non-scheduled banks.

Commercial banks perform the following functions :

- (i) **Accepting Deposits** : Accepting deposits is the main function of a commercial bank. It attracts deposits for the purpose of making loans and investments. People deposit their money in banks for the sake of safety and for earning interest, A commercial bank receives deposits from individuals, firms and other institutions. Banks offer different types of deposit accounts to suit the needs of various depositors. Public deposits constitute the main resources of a bank. Banks receive the following types of deposits :
- (a) Fixed Deposits - A lumpsum is deposited for a fixed time period.
 - (b) Savings Deposits - This account is opened for the purpose of depositing small saving.
 - (c) Current Deposits - Such deposits are made by business firms in current accounts.
 - (d) Recurring Deposits - In these deposits, the deposit holder is required to make deposit of fixed amount every month for a specified period.
- (ii) **Granting Credit** : Commercial banks lend money in the following ways:
- (a) **Loans and Advances** - A specified amount is granted for a specified time period.
 - (b) **Cash Credit** - under this arrangement, the bank allows the borrower to borrow up to a specified limit.
 - (c) **Overdraft** - A customer who has a current account with the bank can withdraw more than the amount standing to his credit upto a specified limit.
 - (d) **Discounting of Bills** - Banks make payment against the bills before the date of maturity.
- (iii) **Agency Functions** : A commercial bank serves as an agent for its customers in the following ways :
- (a) Collects cheques, bills, dividends, interest, rent, etc., on behalf of customers.
 - (b) Pays cheques, bills, rent, taxes, interest, insurance premium, fees, subscriptions, etc., on behalf of customers.
 - (c) Purchases and sells securities on behalf of customers as per their instructions.
 - (d) Acts as trustee, executor, guarantor etc., in financial matters for their customers.
- (iv) **General Utility Services** :
- (a) Transfer of funds from one branch to another.
 - (b) Issuing letter of credit and standing as surety for customers.
 - (c) Accepting valuables, jewellery and securities for safe custody.
 - (d) Underwriting capital issues.

[5]

- (b) (i) Which describes any race, caste, colour, creed, nationality except for the specific purpose of effective dramatisation, such as combating prejudice.
- (ii) Which is against any of the objectives principles, or provision of the constitution of India;
- (iii) Which will tend to incite people to crime or to promote disorder, violence, or breach of law;
- (iv) Which exploits the national desires or furnishes, details of crime or limitation thereof;
- (v) Which would adversely affect friendly relations with foreign states; [5]

A.8.

- (a) The main stages in the selection processs of workers in an organisation are as follows :
- (i) **Application Blank** : Recruits may be asked to apply on a blank form supplied by the firm. Alternatively, they may write a letter of application for the job. In either case the purpose is to obtain necessary information about the candidate. The application blank is one of the most widely used tools of selection due to several reasons. First, it provides information about the qualifications considered essential for the job. As a result quick elimination of obviously unfit candidates is possible. Secondly, the information given in the application serves as the basis for probing in an interview. For example, the interviewer can ask several questions about job experiences listed by the applicant. Thirdly, application provides a personal history record for future reference in case the candidate is selected. The information asked in an application blank usually relates to physical characteristics, family background education, training, job experience, hobbies and other interests.
- (ii) **Personal Interviews** : There is no substitute for a personal interview in selecting salespersons. A personal interview reveals characteristics that cannot be observed by other means. For example, an interview is the best way to find out the conversational ability, speaking, voice and social intelligence of an applicant. An interviewer by seeing the applicant can judge physical characteristics such as general appearance, poise and grooming. The interview may also reveal certain personality traits. Another purpose of interview is to cross-check the information given in the application blank. In the interview the applicant can be given information about the job and the company. Interviews are the most widely used tool for selection. These can be good predictors of success in the sales job. But this is possible only when the interviewer knows how to interview effectively and how to interpret an applicant's responses. The effective interviewer must be unbiased and patient listener. It is important to conduct more than one interview. Standardised rating forms should be used in the interview.
- (iii) **Psychological Tests** : Various types of tests are used in selecting salespeople. Generally, a company uses a battery of tests rather than a single test. Psychological tests are being used increasingly in selection due to several reasons. First tests are sometimes better predictors of job performance than any other selection tool. Secondly,

	<p>as the costs of poor selection continue to increase, employers use tests as an additional means of improving selection decisions. However, no test can predict with 100 per cent accuracy. Therefore, tests result should not be the sole criteria for choosing or rejecting a candidate. Moreover, tests should not be the sole criteria for choosing or rejecting a candidate. Moreover, tests should be developed and administered by specialists. Tests must be validated before use.</p> <p>(iv) Reference Check : Reference are of two types – employment and personal. In case of experienced employees, the reference is the previous employer. For a fresh graduate, the college principle my be a reference. If handled properly, reference of either kind can be a valuable aid in selection. References may disclose important facts which may otherwise remain uncovered.</p> <p>(v) Job Offer : When all the steps in the selection process have been completed, ranking of the selected applicants is done. Job offers are made by sending appointment letter to the individuals who are to join the company.</p> <p>(b) (a) The main advantages of staff training are as follows :</p> <p>(i) Higher Productivity : Training helps to improve the job performance of employees. Well-trained employees are more efficient and, as a result, the quantity and quality of performance increases. Quality products help in increasing sales and profitability.</p> <p>(ii) Reduced Supervision : Well-trained employees are self-reliant. They do not require continuous and intensive supervision. Therefore, the supervisors can save their time and energy.</p> <p>(iii) Better Safety : Human error or negligence is the major cause of accidents in industries. Employees who lack knowledge and skill regarding their job often commit mistakes. Training makes employees proficient and reduces accidents. Training makes employees safety conscious and enables them to make better use of safety devices.</p> <p>(iv) Economy : Trained employees make better and economical use of the materials and machinery. Proper handling of facilities reduces wastage, spoilage and breakage. Loss due to damage is minimised.</p> <p>(v) Higher Morale : Effective training improves job attitudes and self-confidence of employees. They feel that management cares for them. Trained employees can work better and thereby earn rewards. As a result, their motivation and morale is boosted. Higher morale helps to reduce absenteeism and labour turnover.</p> <p>(b) According to the purpose, training is of the following types :</p> <p>(i) Induction or Orientation Training : Induction or orientation is the process of introducing and familiarising new employees to the organisation so that they may adjust quickly and easily in their new environment. Orientation implies introducing the new employees to the organisation and its policies, procedures and rules. When a new employee reports for work, he must be helped to become familiar with the work environment and the fellow employees. A systematic orientation programme helps to make the employee</p>	[5]
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feel at home and reduces the initial nervousness on his part. The main objectives of an orientation programme are (a) to build-up the new employee's confidence in himself and in the new organisation so that he may become an efficient employee, (b) to give the necessary information to the employee about the location of work rooms, canteen and other facilities, leave rules rest period etc, (c) to develop a feeling of belonging and loyalty to the organisation, and (d) to ensure that the new employee does not form a false opinion about the organisation because first impression is the last impression.

- (ii) **Job Training** : It is not always possible to recruit and select trained employees. When persons without any training and job experience are selected, they require some training to perform their job well. Such training is called job training and it is given to make the employees knowledgeable and skilled in performing a specific job.
- (iii) **Remedial Training** : This type of training is designed to correct the mistakes and short comings in the work behaviour and job performance of employees. Some employees might have picked up faulty ways of doing work. Remedial training is provided to remove these defects and to teach the right methods of doing the job.
- (iv) **Safety Training** : The purpose of safety training is to create safety consciousness and to teach the use of safety devices so as to prevent and minimise accidents and injuries.
- (v) **Promotional Training** : When persons working at lower level are promoted they need training in the performance of higher jobs. Promotional training involves preparing employees for higher positions. Employees with adequate potential are given training to fill vacancies at higher levels. Promotional training facilitates succession planning and career development.

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[5]

A.9.

(a)

(a) Utmost good faith (Uberrimae fidei) : An insurance contract is based on utmost good faith on the part of both the parties. It is the legal duty of the proposer (one who wants to get an insurance policy) to disclose all the material facts about the subject to be insured. A material fact is one which would affect the judgement of the insurer in assessing the degree of risk. It includes any communication made to or any information received by the proposer.

The insurer has no access to the information which is in the possession of the insured. Therefore, the insurer relies on the information provided by the proposer. The amount of premium is fixed on the basis of the information supplied by the proposer.

The insurer has no access to the information which is in the possession of the insured. Therefore, the insurer relies on the information provided by the proposer. If the proposer cancels or withholds any material facts, the insurer can repudiate the contract of insurance. Thus, good faith requires each party to disclose all the information at his command to the other party.

One party cannot induce the other party, by hiding material facts, to enter into a contract of insurance which is disadvantageous to the other party. If a party fails to disclose any material fact within his knowledge, the other party can avoid the contract on grounds of material misrepresentation.

(b) Doctrine of subrogation : It implies that after indemnifying the insured for his loss, the insurer becomes entitled to all the rights and remedies relating to the property insured. The insuree shall step into the shoes of the insured, For example, X insures his house against fire for Rs. 50,000. The house is put on fire by his neighbour Y. X gets a claim of Rs 50,000 from Rs 30,000 from Y. X will have to return Rs. 30,000 to the insurance company. Doctrine of subrogation is applicable to all contracts of indemnity and it is not applicable to life insurance. Insurer's right of subrogation will extend only to the extent of the sum insured. The insurer can recover only what the insured

$$\frac{\text{Sum insured with an insurance company}}{\text{Total sum insured with all the companies}} \times \text{Amount of loss}$$

For Example, X gets an insurance policy of Rs 50,000 from A & Co. Rs 30, 000 from B & Co and Rs 20,000 from C & Co. He suffers a loss of Rs. 40,000 due to fire. X cannot claim

(a) Liability of A & Co. = $\frac{50000}{5000+30000+20000} \times 40000 = \text{Rs. } 20,000$

(b) Liability of B & Co. = $\frac{30000}{5000+30000+20000} \times 40000 = \text{Rs. } 12,000$

(c) Liability of C & Co. = $\frac{20000}{5000+30000+20000} \times 40000 = \text{Rs. } 8,000$

[5]

(b) Recycling is the process of converting waste materials into reusable objects to prevent waste of potentially useful materials. Environmental values refer to the moral standards which people are expected to follow while interacting with nature and its resources. For instance, we should not pollute air, water and soil in our daily activities. A factory owner is expected not to release untreated factory waste or effluents into local water bodies. Self-interest many create and ethical diemma. For example, in order to treat factory waste some expenditure is necessary. If the factory owner does not want to incur such expenditure he faces the dilemma - saving cost versus, facing public criticism. Environmental values make people environmentally conscious. Teaching environmentally values encourages people to carry cloth bags, use organic manure, keep surroundings clean, respect other people's things, refuse use of polybags, styro foam containers, etc., reuse plastic and glass containers and recycle paper to save trees, and to plant more trees.

[5]

A.10						
Dr.	TRADING ACCOUNT FOR YEAR ENDED ON 31.3.82					Cr.
	Particulars	Amount	Amount	Particulars	Amount	Amount
	To Opening stock		5,000	By Sales Cash	20,000	
	To Purchase Cash	10,000		Credit	25,000	
	Credit	12,000			45,000	
		22,000		(-) Returns	(2,000)	43,000
	(-) Returns	(1,000)	21,000	By Closing stock		26,000
	To Carriage inward		500			
	To Gross profit transferred to profit & loss A/c		42,500			
			69,000			69,000
Dr.	PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31.3.82					Cr.
	Particulars	Amount	Amount	Particulars	Amount	Amount
	To Discount		400	By Net profit transferred from trading account		42,500
	To Salaries		6,000	By Commission		200
	To Sundry & Petty exp.		1,200			
	To Bad debts		600			
	To Rent		1,500			
	To Stationary		2,500			
	To Net profit transferred to balance sheet		30,500			
			42,700			42,700
Dr.	BALANCE SHEET AS ON 31.3.82					Cr.
	Liabilities	Amount	Amount	Assets	Amount	Amount
	Capital	20,100		Closing stock		26,000
	(-) Drawings	(1,500)		Cash in hand		1,400
		18600		Petty cash		100
	+ Net Profit from Profit & Loss A/c	30,500	49,100	Machinery		36,000
	Creditors		10,000	Furniture		5,000
	Bank Loan		14,400	Debtors		5,000
			73,500			73,500
❖ ❖ ❖ ❖						