

ICSE Paper 2009
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) Receipt and Income. [2]

(b) Promotion and Transfer. ** [2]

(c) Normal cost and abnormal cost. [2]

(d) Central Bank and Commercial Bank. [2]

(e) Produce cost and Period cost. [2]

** Answer has not given due to out of the present syllabus.

Answer:

(a) Refer Ans. 1. (b), 2014.

(c)

Normal Cost	Abnormal Cost
Normal cost is the cost which is normally incurred at a given level of output.	Abnormal cost is the cost which is not normally incurred at a given level of output in the conditions in which that level of output is normally attained.

(d)

Central Bank	Commercial Bank

1. Central bank is owned by the Government.	1. Commercial bank is generally owned by the shareholders.
2. Central Bank aim is to serve the country's interest.	2. Commercial Bank aim is to earn profit.

(e)

Produce Cost	Period Cost
Product cost are those costs which are associated with production and which become part of the cost of a product. Raw materials and direct wages are examples of product cost.	Period cost are those costs which are associated with the period for which they are incurred. Rent, insurance, interest, salaries of managers are examples of period costs.

Question 2:

- (a) What is a brand? How is it different from branding? [2]
- (b) Give two uses of Receipts and Payments Account. [2]
- (c) Give two differences between recruitment and training. [2]
- (d) With the help of an example, explain the clearing house function of RBI. ** [2]
- (e) On the basis of ownership, distinguish between a Product and a Service. [2]

** Answer has not given due to out of the present syllabus.

Answer:

(a) **Brand** means any identification mark (such as trade name, mark, symbol, picture, design, colour etc.) used to identify the product of a seller and to differentiate it from the products of competitors.

Branding is the process of assigning a distinctive name to the product by which it is to be known and remembered. It is the process by which a product is branded. It is a general term concerning various activities such as giving a brand name to a product, designing a brand mark and popularising it.

(b) **Refer Ans. 6. (a), 2011.**

(c) Two differences between recruitment and training:

Recruitment	Training
1. Recruitment is the process of locating potential individuals who might join an organization and encouraging them to apply for existing or anticipated job openings.	1. It is an attempt to improve current or future employee performance by increasing an employee's ability to perform through learning usually by changing the employee's attitude or increasing his skills and knowledge.
2. It is the primary stage of the staffing function.	2. It is the later stage of the staffing function.

(e) Refer Ans. 3. (a), 2013.

Question 3:

- (a) Why is it said that Marketing is Pervasive? [2]
- (b) Explain Promotion Mix. [2]
- (c) Give two features of Salesmanship. [2]
- (d) Describe the importance of Public Relations to a business enterprise [2]
- (e) Give two differences between Direct and Indirect Labour Cost. [2]

Answer:

(a) Marketing operates within the framework of total environment which comprises economic, social, legal, political and other forces. Marketing is required in business as well as in social and other organisations.

(b) **Promotion Mix** consists of all the activities aimed at persuading customers to buy the product. The various elements of promotion mix are:

- 1. Advertising.
- 2. Personal Selling.
- 3. Sales Promotion.
- 4. Publicity.

(c)

1. Salesmanship involves direct, personal or face-to-face contact between the seller or his representative and the buyers.
2. It involves contact with a limited number of persons.

(d) The need for communication between business enterprises and their public is being increasingly recognised. Public relations functions is required to bridge this communication gap.

(e)

1. The labour which can be wholly and directly identified with a particular product is called direct labour whereas indirect labour means the labour which cannot be wholly and directly identified with a particular product.
2. Direct labour includes labour engaged in actual production of the product whereas indirect labour is the labour employed for performing tasks incidental to manufacture.

Question 4:

Give two reasons either **for** or **against** each of the following:

- (a)** Ethics has no place in public relations. [2]
- (b)** Every transaction has four effects on accounting records. [2]
- (c)** Training is very costly. [2]
- (d)** Banking is a relationship oriented industry. [2]
- (e)** Public relations is just a gimmick. [2]

Answer:

(a) Against:

1. Publicity not backed by good action is unethical. It will damage rather than improve the image of the organization.
2. Accurate and timely communication with the public is essential for good public relations.

(b) Against:

1. Every business transaction has a double effect on the business. This double effect can be recognised only by recording both the aspects of every transaction. If one account is debited, any other account must be credited and vice-versa.
2. It is due to the principle of Dual Aspect that the two sides of Balance Sheet are always equal.

(c) Against:

1. Training helps to improve the quantity and quality of work performance. Well-trained employees produce more and better goods.
2. By training, employees learn new and better methods of doing jobs. They make better use of materials and machinery. As a result, wastage of resources and cost of production are reduced

(d) For:

1. Banking is a service based industry trying to satisfy the needs of the customer.
2. Banking is relationship oriented as there is an agency relationship between the banker and the customer based on mutual trust and confidence.

(e) Against:

1. Public relations is an essential element in the communication system that enables individuals to be informed on many aspects of subjects that affect their lives.
2. Public relations helps promotion of a company's goods or services and builds up image.

Section – B (60 Marks)

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

Question 5:

- (a) How does open market operations help in credit control? ** [5]
- (b) What is place mix? State its components. [5]
- (c) What are the qualities of a good salesman? Explain any three in detail [5]

** Answer has not been given due to out of present syllabus

Answer:

(b) Place mix relates to distribution of products is an important element of marketing mix. A channel of distribution or trade channel is the route or path along which products flow from the point of production to the point of ultimate consumption or use. It starts with the producer and ends with the consumers. In between there may be several intermediaries or middlemen who operate to facilitate the flow of the physical product or its ownership from the producer to the consumer.

Components of Place Mix: (1) Channels of distribution and (2) Physical distribution.

1. **Channels of distribution:** Channels of distribution are the routes through which goods move from the producer to consumers. A firm has to decide whether to sell directly or to sell through middlemen. The number and type of middlemen have also to be decided.

2. **Physical distribution:** Physical distribution includes all those activities which are involved in moving products or services from manufacturers to consumers. It consists of transportation and storage of goods.

(c) The qualities of a good salesman are:

1. Good physique
2. Cheerful
3. Sincerity
4. Sensitiveness
5. Knowledge

A good salesman should possess:

1. **Good Physique:** A good salesman must have sound health, good appearance, cheerful disposition and an impressive voice. He should be properly dressed.
2. **Cheerful:** Pleasing manners and a smiling face are necessary for a successful salesman. He should be polite and courteous.
3. **Sincere:** A good salesman is always loyal and committed to his work. He is dependable and courageous.

Question 6:

(a) Mention two advantages and two disadvantages of cost plus pricing strategy of product life cycle. [5]

(b) Explain Asset and Liability. Name the different types of Liabilities. ** [6]

(c) Distinguish between Advertising and Sales Promotion. [5]

Answer:

(a) **Two Advantages:**

1. It is a safe approach to pricing. It ensures full coinage of cost and helps in achieving a reasonable return on capital employed.
2. The method is logical and can be defended on moral grounds. It discourages cut-throat competition in the market.

Two Disadvantages:

1. It is very often difficult to determine accurately the cost per unit due to common overheads and joint products.
2. It fails to reflect competition in the market.

(c) Difference between Sales promotion and Advertising:

Basis 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	Long-term Perspective
3. Aim	To increase immediate sales.	To build image of producer and his product.
4. Scope	Free samples, coupons, contests, premium offers, etc.	Newspapers, magazines, T.V. and other media.
5. Regularity	Limited period non-recurring.	Regular and Recurring

Question 7:

- (a) Why are services becoming important? Give three reasons. [5]
 (b) Explain Cash Reserve Ratio and Statutory Liquidity Ratio. ** [5]
 (c) Explain the present status of public relations by pointing out the reasons for its rapid growth. [5]

Answer:

(a) Services are becoming important due to the following reasons:

- Economic Planning:** Government of India launched five year plans in 1951 to achieve rapid growth of the country. Industrialisation requires industrial infrastructure (transport, communication, power, insurance, banking finance, etc.). Therefore, these services have expanded rapidly in the country.
- Increasing Urbanisation:** Urbanisation has been another cause of expansion of service sector in India. There has been shifting of population from rural to urban areas. Urbanisation leads to rise in demand for infrastructure, services such as communication, public utilities and distribution services.

3. **Media:** Television, internal and other media have led to spurt in tourism. Modern technology has made business more comfortable. Tourism in turn has promoted all types of services such as hotels, restaurants, travel agents, amusement parks, event management, etc. Expanding world trade has also had a demonstration effect.

(c) The main reasons for the rapid growth of public relations are:

1. **Communication Gap:** The need for communication between organisations and their public is being increasingly recognised. Public relation function is required to bridge this communication gap.
2. **Population Growth:** A significant factor contributing to the development of public relations has been the increase in population and the resulting expansion of business, social and political organisations.
3. **Recognition of Social Responsibility:** Public relations has made the corporations realise that they have a social responsibility to serve the public.
4. **Big Government:** Growing government activity, legislation, taxes and criticism of business by politicians have all contributed to the expansion of public relations in to the field of public affairs and relations with local, state and national government.
5. **Development of Communication Media:** Tremendous growth in radio and cable systems has enabled rapid and widespread transmission of information.
6. **New Ethical Standards:** High moral standards and ethical conduct in business have contributed to the development of public relations.
7. **Consumerism:** Increasing emphasis on consumer service has caused many companies seeking the goodwill and support of consumers to respond to consumer pressure. This pressure represents a significant change in direction, one which presents to business both an opportunity and challenge.
8. **Education in Public Relations:** Growing emphasis on public relations education is in good measures responsible for the increasing prestige of public relations. (any five)

Question 8:

Write short notes on:

- (a) Importance of HRO in a Commercial organisation. [5]
- (b) Institutional Advertising and Persuasive advertising. [5]
- (c) Role of balance sheet in decision making. [5]

Answer:

(a) The importance of human resource development in a commercial organisation are as follows:

1. Attracting and retaining the required talent through effective human resource planning, recruitment, selection, placement, orientation, compensation and promotional policies.
2. Developing the necessary skills and right attitudes among the employees through training, development, performance appraisal, etc.
3. Securing willing cooperation of employees through motivation, participation, grievance, handling, etc.
4. Utilising effectively the available human resources.
5. Ensuring that the enterprise will have in future a team of competent and dedicated employees.

(b)

1. **Institutional advertising:** It presents information about the advertiser's business, or it tries to create a favourable attitude towards the organisation. For example, to build goodwill or image. Thus, it is basically not intended to sell a specific product directly, but is solely aimed at creating a particular positive image for the company by building prestige and public respect for it. It is a long term and sustained effort. Advertisements undertaken to promote adult education, family planning, commercial farming, public hygiene, safe driving, energy conservation, environmental protection are examples of institutional advertising.
2. **Persuasive Advertising:** This type of advertising is designed to persuade consumers to buy a product or service or to support an idea. It is undertaken primarily by business firms. Advertisements of Colgate toothpaste, Coca-Cola soft drinks, Lux soap, Cadbury chocolate, McDonald's burger are examples of persuasive advertising.

(c)

1. Balance sheet shows the assets owned by a trading organization.
2. It reveals the liabilities of the organisation.
3. It shows the financial position of the organisation.
4. It depicts the capital fund of the organisation.
5. It fulfils the statutory requirements as a non-trading organisation is legally required to prepare a Balance Sheet.

Question 9:

Case Study

Price cuts have enabled FMCG companies like HLL and P & G to increase the sales volume. The sale of major detergent brands have increased by 15-17 percent. Analysts in fact expect Surf Excel to be a success story for HLL. The company expects more sale from the

brand this year.

Launching sachets and positioning the brand in affordable category was necessitated by a number of highly competitive smaller brands in the market like Henko, Nirma and Ghari detergents. Friendly wash by many other smaller brands have challenged the giants by offering prices which attracted the value conscious Indian consumer. In fact unbranded players are offering packs which are twice the size of a branded product with similar or better quality at a cheaper price. Very clearly FMCG majors have to either maintain the plethora of freebies to push the brand or just simply cut prices.

The manufacturers attribute the price drops to internal cost efficiencies especially with the supply chain. Analysts say the FMCG companies will have to drop prices further to get the right value equation in the market. There is no other way to grow. The companies have tried innovations and relaunch. The fact is, there is a cut in the price and they cannot afford to overprice their product. The companies are just going to do what Nestle did sometime back to get the price equation right.

(a) How did sales volume of detergents increase? [5]

(b) In view of the fact that unbranded products have put up a challenge to branded items, do you think branding is useless? Give reasons. [5]

(c) In addition to price cuts what other measures should FMCG firms take to grow in future. [5]

Answer:

(a) **Sales volume of detergent increase by the following ways:** The various types of incentives used for this purpose are: percent off, special discount, free gifts, free extra quantity in the pack, three for two offer (take three, pay for two), coupons, contests etc. Making immediate sales clearing over-due stocks, attracting new buyers, launching a new product quickly, catching impulse buyers (who buy on the spur of moment without planning) and meeting competition successfully are the major merits of sales promotion. Many brands in the market like Henko, Nirma and Ghari detergents have launched sachets which also increase the sales volume of detergent. Advertising of detergents also increases the sales volume. It creates a positive impact on the consumer towards the product.

(b) No branding is not useless. Branding helps the consumers to identify and recognise the product. It simplifies, therefore purchase and sale and reduces the time and efforts of the consumers.

Branding acts as a market identity: A brand helps position a company's product offering in terms of price level, quality, service, prestige and other factors that are important to buyers in the firm's target market. Consumers often use brand image as a proxy for quality and dependability, particularly if they find it difficult to evaluate the product because of its newness or complexity. Brand identity may itself increase margins and profits by enhancing the perception of quality.

(c) To grow in future FMCG should take care of:

1. The quality of the product. Products should be invariably packed which prevents adulteration and helps to preserve the quality of the product.
2. Advertising of a particular product should be there which increases the sales volume. It creates a positive impact on the consumer towards that product.
3. Technological Advancement should be there time to time. Companies should invest in research and development aimed at advances in technology and should make regular improvement at all stages of life cycle.
4. **Dynamic:** One should follow the dynamic techniques in marketing which can be adopted according to the tastes and preferences of the consumers.

Question 10:

Case Study

The Public sector banks are witnessing a period of transition in India. They are at the cross roads, where they, without giving up social responsibilities should remain healthy. They need to undertake risky experiments, yet to perform innovatively. They should make forays into new areas which are rarely taken up by them and lose no emerging opportunities. It should also be understood that absence of any bad advance is not a good sign of an efficient banking system. It only indicates immense conservatism. However, there is no guarantee for profit.

There should be a balance between liquidity and risk. Past sins should be forgiven. Novel and pragmatic techniques should be adopted without which banks would be in danger.

(a) Describe the importance of Public Sector Banks at present. [5]

(b) What are the functions other than main and agency functions that should be performed by these banks to be socially responsible. [5]

(c) Our Public Sector Banks have a strong base. Do you think that they have to follow the foreign Commercial Banks in granting loans? Yes or No. Give reasons. [5]

Answer:

(a)

1. **Fuller Employment:** Only under socialised production will of the fullest possible employment to all adult workers, in accordance with the aptitude on each be secured.
2. **Better Deal to Workers:** Exploitation, job uncertainty and wretched conditions are to be replaced by just rates of pay, security of service and improved working conditions under state enterprise.
3. **Greater Economy and Coordination:** There is greater harmony and coordination among the various industries which are brought under or initiated under state control.
4. **Assistance in economic Development:** The surplus profit of nationalised undertaking can be used to finance schemes of national economic development.

5. **Safety of Money:** Money deposited in a bank remains safe. Precious articles too can be kept in the safe custody of bank in lockers.

(b)

1. **Issuing Credit Instruments:** Banks issue letters of credit, drafts and travellers cheques to their customers. People can transfer funds from one place to another without carrying currency notes with them.
2. **Underwriting Capital Issues:** Banks underwrite the shares and debentures issued by companies.
3. **Safe Custody of Valuables:** Banks accept jewellery, documents and other valuables for safe-keeping.
4. **Advice and Information:** Banks offer advice on financial matters. They provide information about credit worthiness of customers to enable them to obtain credit facility from suppliers.

(c) No, there is no guarantee for profit. There should be a balance between liquidity and risk. Past sins should be forgiven. Novel and pragmatic techniques should be adopted without which banks would be in danger.