

ICSE Paper 2017
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) Consumer Goods and Producers' Goods [2]
- (b) Orientation Training and Refresher Training [2]
- (c) Transfer and Promotion [2]
- (d) Historical Costs and Predetermined Costs [2]
- (e) Advertising and Publicity [2]

Solution:

(a)	Consumer Goods	Producers' Goods
	Consumer goods are those products which are directly used by the ultimate consumers or households. For Example : Milk, Butter, Television etc.	Producers' goods are those products which are purchased for use in manufacturing other goods. For Example : Cotton is used for making clothes.

(b)	Orientation Training	Refresher Training
	Orientation training refers to the training given to new employees to familiarise them with the policies, rules and regulations of the organisation.	Refresher training is designed to teach employees latest developments in work methods and procedures.

(c)	Transfer <ul style="list-style-type: none"> • A transfer means shifting of an employee from one place to another without any change in rank, responsibility and remuneration. • Transfer is a Horizontal movement of an employee. 	Promotion <ul style="list-style-type: none"> • A promotion means shifting of an employee from a lower post to a higher post. • Promotion involves a vertical movement or advancement of an employee.
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(d)	Historical Costs <p>The costs which are ascertained after being incurred are called historical costs. It is also known as original costs.</p>	Predetermined Costs <p>Predetermined costs are those costs which are estimated or budgeted. They are computed in advance of production keeping in view past costs or future trends.</p>
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(e)	Advertising <ul style="list-style-type: none"> • Advertising communicates only commercial information to the public. • The advertiser has to pay to media owners. 	Publicity <ul style="list-style-type: none"> • Publicity may or may not be related with the communication of commercial information. • The individual or firm involved does not have to pay.
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Question 2.

- (a) Mention two features of Services. [2]
 (b) What are indirect expenses ? Give an example. [2]
 (c) Mention the advantages of Cost plus pricing. [2]
 (d) Explain any two impacts of Acid Rain. [2]
 (e) Mention any two merits of internal sources of recruitment. [2]

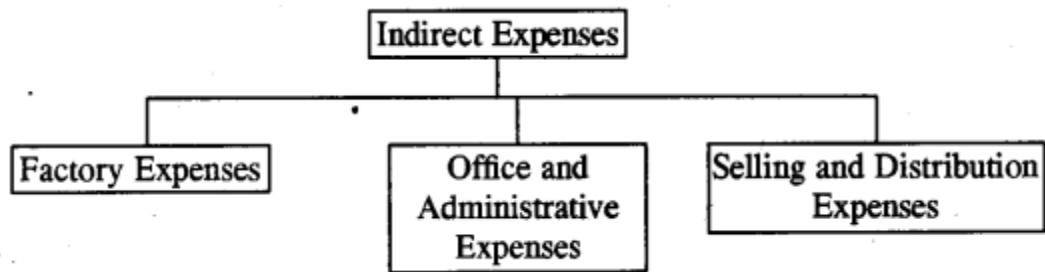
Solution:

(a) Features of Services are as follows :

1. Services are intangible as they cannot be seen or touched. They have no physical shape.
2. Services are produced and consumed at the same time. The service cannot be separated from the service provider.

(b) Indirect expenses are those expenses which cannot be wholly and directly identified with specific product or job. For example : Rent, lighting, insurance charges, depreciation

etc.



(c) Advantages of Cost plus pricing are :

1. Cost plus pricing ensures full coverage of costs and helps in achieving a reasonable return on capital employed.
2. This is most widely used technique of pricing and safe approach.
3. It discourage cut-throat competition in the market.

Question 3.

- (a) Distinguish between Shut Down Cost and Sunk Cost. [2]
- (b) Why is Dialogue an important element in Public relations ? [2]
- (c) State any two features of a Balance Sheet of a company. [2]
- (d) Explain briefly Employee Relations as a scope of Public Relations. [2]
- (e) Explain current assets with an example. [2]

Solution:

(a) Distinguish between Shut Down Cost and Sunk Cost as follows

1. Shut down costs are the expenses that have to be incurred during the shut down or stoppage of business operations. On the other hand, sunk costs are the expenses which have been committed and cannot be changed.
2. Rent and insurance of factory during its closure is a shut down cost. Investment already made in factory building is a sunk cost.

(b) Dialogue is an important element in Public relations because :

1. If a person goes on talking without allowing others to participate in the discussion or talk, then it becomes a monologue.
2. Dialogue reveals the true personality of a person.
3. It helps to reduce prejudice and builds up mutual confidence.
4. Effective dialogue requires impartial listening and understanding.

(c) Features of a Balance Sheet of a company are :

1. Balance Sheet is always prepared on a particular date.

2. It is prepared after the preparation of Income and Expenditure Account and Profit and Loss Account.
3. It shows financial position on a particular date.
4. It is not an account but a statement.

(d) Employee Relations : The expansion in the industrial work force has created serious problems in communication and relations with employees. Poor communication create misunderstanding. The foundation to good employee relations are sound personnel policies and their impartial implementation. Employees judge a company by its personnel policies and the practices of management in carrying out these policies.

(e) Current Assets : Current assets are those assets which are converted into cash within a short period, generally one year. No depreciation is charged on current assets. Examples of current assets are, cash in hand, debtors, stock etc.

Question 4.

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

- (a) Introduction Stage in a Product Life Cycle is not very risky. [2]
- (b) Accounts should disclose all material information (with reference to the concept of accounting). [2]
- (c) Recruitment is a process of elimination. [2]
- (d) Branded goods are normally sold by inspection. [2]
- (e) Training reduces employee absenteeism. [2]

Solution:

(a) Introduction stage in a Product Life Cycle is very risky. It is the stage when product is launched for the first time in the market. It takes time for product to settle in the market and become readily acceptable to consumers. The sales and profit related to the product are, therefore, low. Competition is virtually absent, market is limited, prices are relatively high and little is known about the product innovation.

Growth in sales volume is at a low rate due to lack of knowledge on the part of consumers and limited distribution. Prices are usually high because of small scale of production and heavy promotional expenditure. There is high probable rate of product failure. Therefore, it is wrong to say that introduction stage in a Product Life Cycle is not very risky.

(b) Accounts should disclose all material information. The reasons for this disclosures are reporting on financial statements.

1. Everyone can understand the reporting on the financial statements relating to the economic affairs of the firm.
2. A thorough understanding of the change in the method of depreciation or method of valuation of stock, market value of investments and contingent liability.

(c) Recruitment is not a process of elimination because recruitment is the process of searching for and identifying the prospective employees and encouraging them to apply for jobs in the enterprise. It involves seeking and attracting adequately qualified people from which suitable candidates can be selected.

(d) No, Branded products/goods are not sold by inspection. These goods are sold by their trademark, brand name etc. A brand is a name, term, symbol or design or a combination thereof used to identify the goods and services of a seller and to differentiate them from those of competitors.

For example, Lux Soap, Colgate toothpaste, Titan Watches. These all products are sold with their brand names.

(e) Training reduces employee absenteeism :

Yes, it is true. Training reduces employee absenteeism as trained employees feel more satisfied and interested in doing their jobs. Effective training improves the self-confidence and job satisfaction of employees. They take greater interest in their work and feel a sense of security which reduces labour turnover and absenteeism.

SECTION – B [60 MARKS]

Attempt any four questions from this Section

Question 5.

(any Modern marketing has created several non-traditional markets. Explain the main types of non-traditional markets. [5]

(b) Explain the advantages of branding to producers and consumers. [5]

(c) Explain the Maturity stage and Decline stage of a Product Life Cycle. [5]

Solution:

(a) Modern marketing has created several non-traditional markets. The main types of non-traditional markets are as follows :

(i) Catalogue Market: In this market, products are kept in the showroom along with a catalogue, which contains the details of goods and their prices. Customers select goods after reading the catalogue and examining the samples. In order to attract a higher volume of sales, catalogue markets sell goods at heavy discounts. Nowadays, items like luggage, watches, home appliances and so on are sold through catalogue markets.

(ii) In-House Market : Door-to-Door sales persons visit the homes of consumers and offer products to them. Before the visit, initial contact may be created through telephone or mailed-in-coupon. This is an effective method and offers great convenience to the customer. In India, Eureka Forbes is selling its water filters and vacuum cleaners through this method. This is however, a time-consuming and costly method.

(iii) Mail Order Market : In this market, the seller mails price lists and other publicity materials to the prospective buyers. Customers place order after reading advertisements and the mailed literature. Goods are despatched through V.P.P. or courier.

(iv) Automatic Vending Machines : Well known brands of products of daily use are sold through vending machines. These machines are installed at workplaces, schools and public places. Customers insert coupons/cash in the machines and collect the product. Vending machines are used to sell cold drinks, tea, coffee, candy, snacks, and so on. In Delhi, Mother Dairy sells milk through vending machines.

(v) Telemarket: This is selling through television. The products are demonstrated on television. Customers place order on a toll-free number and get their products delivered at home through courier. "Asian Sky Shop" is leading company selling products by this method.

(b) Advantages of Branding to Producers are :

1. Product Differentiation : Branding is a means of differentiating the product from the competitors products. This helps the firm to secure and control the market for its product.
2. Facilitates Advertising: Branding helps in advertising. A firm can create a market preference for its product (Brand loyalty) by continuously repeating the brand name in its advertisements. Lux, Coca-Cola have become household names due to brand advertising.
3. Lower Selling Costs : Branding helps to minimise selling costs by reducing dependence on middlemen. Dealers are ready to handle branded products at lower margins.

Advantages to Consumers :

1. Product Identification : Branding helps customers in identifying and recognise the product. It simplifies, therefore, purchase and sale reduces the time and effort involved therein.
2. Protection : Prices of branded and standardised products are fixed by the manufacturer. They are printed on the product and become well-known to consumers.
3. Ensures Quality : Branding ensures uniform standards of quality and design to customers. Branded products as well packed to prevent adulteration.

(c) (i) Maturity Stage: During this stage, sales continue to grow but at a decreasing rate. Competition increases further and markets get stabilised. The product is known all over the market and a third level market (low income group) may emerge. Due to competition prices are reduced but promotional expenditure remains high. As a result profits decline and marginal producers are forced to go out of the market.

Manufacturers broaden their lines and new models of the product are introduced. Supply exceeds demand for the first time. After some time there is saturation in the market. There is no possibility of increase in sales and the sales curve is levelling off. For products with long-run demand, maturity stage may last for a long period.

But sooner or later product demand starts declining as new products we introduced in the market. Thus, this stage is characterised by product differentiation, product improvement and identification of new market segments.

The maturity stage may be lengthened by using the following strategies :

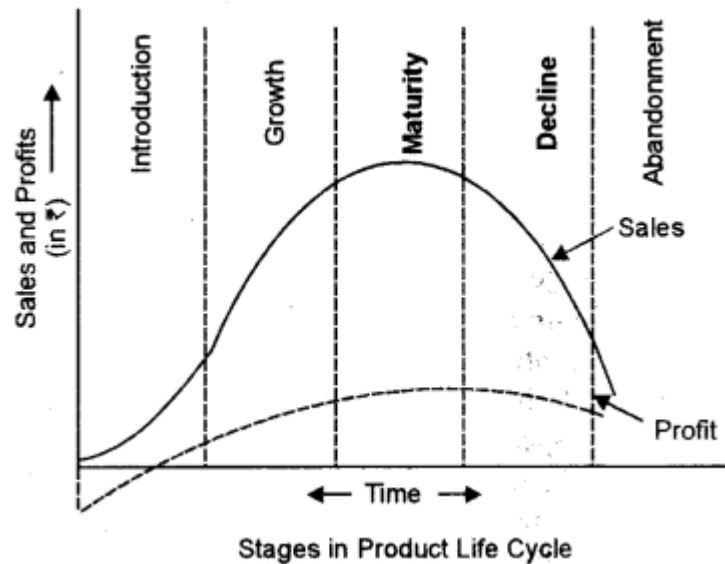
1. Differentiating the product from competitive products.
2. Focussing on brand image.
3. Extending the warranty period, e.g., life time warranty for typewriters.
4. Introducing reusable packaging.
5. Developing new markets.

(i) Finding new uses of the product.

(ii) Decline Stage : This stage is characterised by either the product's gradual displacement by new and superior products or change in consumer's buying behaviour. Sales fall down sharply and promotional expenditure has to be reduced drastically to minimise loss. The emphasis is on efficient distribution at lowest cost. Unless new uses of the product are found the sales may decline rapidly and the product may soon go out of the market.

The following strategies may be used to avoid sharp decline in sales :

1. New features may be added to the product.
2. Economy models of packs may be introduced to revive the market.
3. New and attractive packaging may be used to attract customers.
4. Selective promotion may be adopted to reduce distribution costs.



Question 6.

(a) Explain briefly the various elements of cost. [5]

(b) Explain: [5]

(i) The Dual Aspect Principle

(ii) The Going Concern Concept

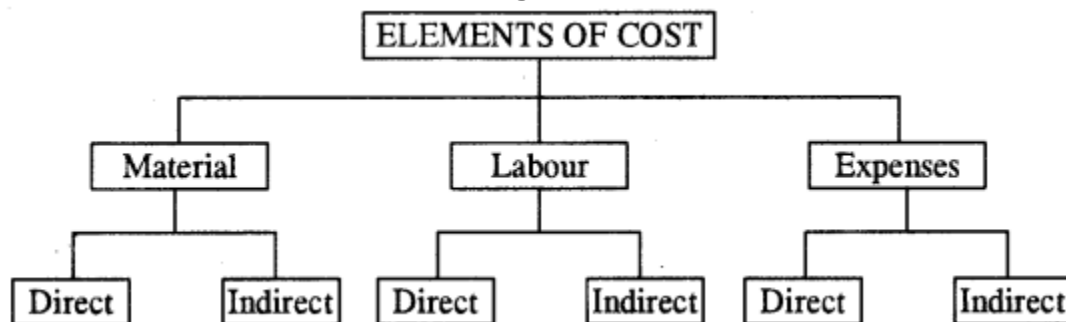
(c) Write five differences between Receipts and Payments Account and Income and Expenditure Account. [5]

Solution :

(a) The various elements of cost :

There are three basic elements of cost : (i) Material; (ii) Labour; and (iii) Expenses. All the three elements are further divided into two categories ; (a) Direct; and (b) Indirect. The direct cost is also known as Prime Cost which is a sum of Direct Material, Direct Labour and Direct Expenses. Indirect cost is known as Overheads.

The elements of cost are shown in diagram.



(i) Material Cost : Material cost refers to the cost of substances from which the product is made. Materials enter into the production process and form part of the finished product. For example, paper used in book. Materials can be divided into two categories :

(a) Direct Material: All materials which become an integral part of the finished ' product and which can be easily measured and directly charged to the product are called direct material.

(b) Indirect Material : Indirect materials are those materials which cannot be ' directly assigned, to the specific product but which can be apportioned. For
Example : Oil, Nails, Small tools etc.

(ii) Labour Cost: The cost of human effort required for converting the material into the finished product is called labour cost. It is the aggregate amount of remuneration paid to workers, supervisors and managers. Labour can be direct or indirect.

(a) Direct Labour : The labour which can be wholly and directly identified with a particular product is called direct labour, e.g., wages paid to the machine operator or wages paid to the carpenter in furniture factory.

(b) Indirect Labour : Indirect labour means the labour which cannot be wholly and directly identified with a particular product. It is the labour employed for performing tasks incidental to manufacture. Wages paid to storekeeper, foremen, timekeeper, inspectors, etc., are examples of indirect labour.

(iii) Expenses : Costs incurred other than on material and labour for production and distribution and for management of the organisation are called expenses. Expenses may be direct or indirect as follows :

(a) Direct Expenses : The expenses which can be wholly and directly identified with a particular product are called direct expenses. Hire charges of a machine used for a particular job, rent of the room in which a specific product is being produced are examples of direct expenses.

(b) Indirect Expenses : Indirect expenses are those expenses which cannot be wholly and directly identified with a specific product or job. These expenses include factory expenses, office expenses and selling expenses.

Indirect expenses are also known as overheads. Overheads are of three types :

1. Factory or Manufacturing Overheads : Materials : Oil, Consumable Shores etc.
Labour : Salary of Storekeeper etc.
Expenses : Power and fuel etc.
2. Office and Administrative Overheads: Materials : printing stationary etc.
Labour : Salaries of office managers, clerks etc.
Expenses : Office rent, legal expenses etc.

3. Selling and Distribution Overheads : Materials : Price list, catalogues etc.
Labour : Sales Commission etc.
Expenses : Advertising, rent etc.

(b) (i) The Dual Aspect Principle: According to this principle, every business transaction has a double (dual) effect on the business. This double effect can be recognized only by recording both the aspects of every transaction. There are two sides of every transaction. If one account is debited, any other account must be credited . and vice-versa. The system of recording transactions on the basis of this principle is known as Double Entry System. It is due to this principle that the two sides of the Balance Sheet are always equal. The following accounting equation will always hold good at any point of time.

Assets = Liabilities + Capital

OR

Capital = Assets – Liabilities

‘Whenever a transaction is recorded it must be recorded in two or more accounts to balance the equation. If a transaction increases or decreases one side of the equation, it will also decrease or increase the other side of the equation by the same amount. For example, if Rahul starts business with ₹ 1,00,000 in cash and takes a loan of ₹ 50,000 from the Bank and these ₹ 1,50,000 are used in buying a factory, the equation in this case is :

Assets = Liabilities + Capital ₹ 1,50,000 = ₹ 50,000 + ₹ 1,00,000

(ii) The Going Concern Concept: It is assumed that the business will continue to exist for a long time in the future. Transactions are recorded on the assumption that the business will exist for an indefinite period of time. It is on this assumption that a distinction is made between capital expenditure and revenue expenditure. Market value of fixed assets is not recorded, as these assets are not to be sold in the near future.

A firm is said to be a going concern when there is neither the intention nor the necessity to wind up its affairs. In the absence of this assumption no outside parties would enter into long-term contracts with the firm for supplying funds and goods.

This assumption also justifies the distinction between fixed assets and current assets. The going concern concept also implies that the existing liabilities will be paid at maturity. Unsold stock of goods are taken to the next year.

(c) Distinction between Receipts and Payments Account and Income and Expenditure Account.

Basis of Distinction	Receipts and Payments Account	Income and Expenditure Account
1. Nature	It is a summary of cash receipts and cash payments.	It is like the Profit and Loss Account of a trading concern.
2. Type of Account	It is a real account.	It is a nominal account.
3. Objective	It is prepared to know cash balance at the end of the year.	It is prepared to ascertain surplus at the end of the year.
4. Nature of Items	It contains both capital and revenue items.	It contains only revenue items.
5. Opening Balance	It starts with the opening balance of cash in hand and at bank.	It has no opening balance.
6. Closing Balance	Its balance at the end shows the cash in hand and at bank (or overdraft) at the end of the year.	Its balance at the end shows the surplus or deficit for the year.
7. Accrued/ Outstanding Items	It contains only cash items and does not include accrued income, income received in advance, outstanding or prepaid expenses.	It is prepared on accrual basis and therefore includes all accrued and outstanding items.

Question 7.

(a) Explain any two functions of the Reserve Bank of India. [5]

(b) Explain 'Selection Interview' and 'Checking References' as steps in the selection procedure. [5]

(c) Explain : [5]

(i) Industrial Advertising

(ii) Concept Advertising

Solution:

(a) Central bank means the bank which regulates the entire banking system in a country and carries out its monetary policy. Central bank is the apex bank, and every country has a central bank. Reserve Bank of India is the central bank of our country. It was set up in 1935 under the Reserve Bank of India Act, 1934. As the central bank, the Reserve Bank of India performs the following functions :

(i) Monopoly of Note Issue: Generally the central bank of a country has the monopoly, to issue currency notes. Government grants the exclusive right to the central bank to issue notes on its behalf. In India, one rupee notes are issued by the Ministry of Finance. All other currency notes are issued by the Reserve Bank of India. In order to inspire public confidence in paper currency, the central bank keeps reserves of gold and silver against the issue of notes.

(ii) Controller of Credit : Commercial banks create credit by lending money. They may create too much or too little credit. The level of credit in the country causes fluctuations in the price level. It becomes necessary to exercise control over credit so as to ensure stability in the economy. The central bank exercises strict control on the credit granting capacity of commercial banks. This is the most important function of a central bank. Credit control is both qualitative and quantitative in nature.

(iii) Lender of the Last Resort: Whenever a commercial bank needs financial assistance, it may borrow from other commercial banks. But other commercial banks may not be in a position to provide funds to the bank in need. In such a case the central bank provides funds to a commercial bank either by granting loans or by purchasing its securities. In this way the central bank acts as the lender of the last resort.

(b) Selection Interview : Interview serves as a means of checking the information given in the application forms and the tests results. It also provides an opportunity to the candidates to enquire about the job during interview. Managers get an opportunity to take a decision about their suitability for employment. Selection interview should be conducted in an atmosphere which is free from disturbance, noise and interruption. Interview should be conducted in great depth to judge the suitability of the candidates. There are no hard and fast rules of interviewing candidates. Interviews, in general, can be conducted in the following ways :

1. Structured or Patterned Interview: In such an interview different sets of questions having the same pattern and with the same difficulty level, are framed in advance. Different candidates are asked different series of questions.
2. Unstructured or Non-directive Interview: In this interview, questions to be asked are not planned in advance. Questions pertaining to the job are asked and candidates are asked to respond freely to show their ability for the job.
3. Stress Interview : This interview is held to note how thick-skinned the candidate is. The candidates are asked awkward questions and it is seen how they react to such questions. If they do not lose their balance of mind, they prove their worth as suitable candidates.
4. Group Interview : In this interview, a number of candidates face the interview committee together. The candidates are asked to opine on an issue or they are asked to discuss a topic.

Checking References : References are generally required to enquire about the conduct of those persons who have been found suitable in the interviews and tests. References can be collected from the previous employers, colleges last attended or from any other reliable source. Before forming a balanced opinion, it is necessary to enquire from three to five persons about the conduct of the prospective employee. However, this exercise may not always produce the desired results because ; (i) no candidate will cite the name of a referee who might speak unfavourably about him; (ii) the referee may not always respond; and (iii) due to a prejudice the referee may deliberately speak against the candidate.

(c) (i) Industrial or Business to Business Advertising : An advertisement, which is directed at businesses or industrial buyers, is known as industrial or business to business advertising. Advertisements for printing machines, oil expellers, plastic moulding machines, other manufacturing machines and equipments, agricultural appliances, raw materials, etc., fall in this category of advertising.

(a) Concept Advertising : This is also known as primary demand advertising or 'pioneering advertising'. It is designed to stimulate demand for a new product. It explains product's special or distinctive features and benefits. It is aimed at creating a general demand for the product category, without emphasizing the brand name.

In recent years, primary demand or pioneering advertisements have been running for personal computers (PCs), pagers, cellular phones, fax machines, answering machines (to be attached with the telephones) etc. Advertisements for creating primary demand for diamond is like this : "A diamond is for ever." For creation of primary demand for gemstones : "Coloured gemstones are an expression of you."

Question 8.

(a) Write short notes on : [5]

(i) Bhopal Gas Tragedy

(ii) Chernobyl Disaster

(b) Describe the role of Sales Promotion and Publicity in promoting a brand. [5]

(c) Explain Persuasion as an element of Public relations and mention any two principles of persuasion. [5]

Solution:

(a) (i) Bhopal gas tragedy-an Industrial disaster : On 3rd December 1984, the worst Bhopal gas industrial accident happened in Union Carbide's pesticide manufacturing unit in the industrial town of Bhopal, India. About 45 tons of highly toxic and reactive methyl isocyanate (MIC) gas leaked out of the tank for nearly two hours and escaped into the air, spreading within a radius of eight kilometers, over the city inhabited by 900,000 people. 3,800 people died immediately while 100,000 to 200,000 people were reported with eye problems, respiratory difficulties, cardiac failure, immune and neurological disorders. Spontaneous abortions, stillbirths and off springs with genetic disorder are still being found even after so many years of this incident.

(ii) Chernobyl Disaster : The Chernobyl disaster was a worst radioactive accident occurred on April 26, 1986 at the Chernobyl Nuclear Power Plant in Ukraine, in the former USSR. The accident, caused by a sudden surge of power, destroyed the reactor and released massive amounts of radioactive material into the environment. There were a numerous fires and explosion, which killed more than 30 people immediately.

Due to radiation, pine forest in the immediate vicinity of reactor turned brown and died*Even drinking water got contaminated. The people that have lived in the Chernobyl area were diagnosed with radiation sickness and there has been a dramatic increase in the number of thyroid cancers among children and adolescents. This is due to drinking milk from cows that ate contaminated grass immediately after the accident. This incident clearly exposes the flaws in safety measures in nuclear plants.

(b) Brand promotion mix is the company's total marketing communication programme. It consists of certain promotion tools that company uses to inform, persuade, remind and influence its customers. The four major tools are used for brand promotion are Advertising, Personal Selling, Sales Promotion and Publicity. We explain two tools, i.e., Sales Promotion and Publicity, (i) Sales Promotion : Sales promotion refers to those short-term incentives that encourage or attract customers to buy the brand without any delay. Advertising provides reasons why to buy a particular brand.

Whereas, sales promotion offers reasons to buy a brand "now", i.e., immediately and without any delay. Because if you do not buy "now", then you lose the incentives which are, in fact, available only for a specified short period. Of all the methods of brand promotion, sales promotion is the only method that makes use of offering incentives. It is a type of non personal selling that supports the advertising. All brand promotion activities which do not clearly fall into advertising personal selling or publicity, are included in sales promotion.

The basic goal of sales promotion is to increase the volume of "immediate" sales or to clear the stocks lying for sometime in the shop or store. 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, contest etc.

(a) Public Relations and Publicity : Public relations means firm's communication and good relations with its various publics. Good relations are built in several ways, such as: by obtaining favourable publicity, building a good 'corporate image', handling or keeping off unfavourable rumors or events, etc. The various publics of a firm include : customers, employees, shareholders, suppliers, government and its agencies, investors, financiers, the society in which it operates etc.

Public relations activities are typically designed by the firm to build or maintain a favourable image for the firm and favourable relationship with its various publics. Use of

media is not necessary for good public relations. Quick and correct disposal of customer complaints may be an effective tool for creating customer relations.

(c) Persuasion : Persuasion is an important element of public relations. It is through some kind of communication that persuasion takes place. To persuade means to convince another person of some idea, product, service or institution, to induce a person or group or to do something. We are all engaged in persuasion. The young man is persuading his beloved to marry him. The teacher is persuading his students to learn. The politician is persuading the voters to vote for him and his party.

There are two forms of interaction between individuals and groups – force and persuasion. When one person compels another to do something it is interaction through force. This form of interaction is considered as an improper conduct in a civilised society. Interaction through persuasion involves convincing the other person. This is considered the right conduct.

A flexible approach is helpful in persuading others. Before engaging in persuasive communication, a person must settle a few questions in his mind : What do I want to accomplish ? What are the interests of the people to whom I shall be talking ? What are the facts I should tell them ? A sense of human interest is necessary for anyone indulging in persuasion. The speaker has to ensure that people understand, approve and accept him and his words.

Experts have identified the following principles of persuasion :

- (a) Acceptance of the message is a critical factor in persuasive communication. Therefore, to change attitudes of people, suggestion for change must first be received and accepted.
- (b) A suggestion is more likely to be accepted if it is in conformity with needs and desires of people.
- (c) A suggestion is more likely to be accepted when it is in harmony with group norms and loyalties.
- (d) A suggestion in the mass media should be reinforced with face-to-face interaction.
- (e) A suggestion is more likely to be accepted when the source is perceived as reliable or expert.

Question 9.

Case Study

Patanjali Ayurved Ltd. (PAL) is an FMCG company established in 2006 by Acharya Balkrishna and Baba Ramdev. It is located in the industrial region of Haridwar. It was started with the objective of promoting the ancient science of Ayurveda in coordination with the latest . technology. It manufactures mineral and herbal products and offer healthcare solutions. They started as a small company, but their revenue kept growing from 163 crores in 2009-10 to 5000 crores in 2015-16 and they are targeting for 10000 crores in 2016-17.

They manufacture products using Ayurveda and natural components. Their products are

cheaper than alternatives in the market due to low production and marketing costs. They have over 4700 retail outlets and do a lot of online selling. They are also planning to open outlets at railway stations and airports. They are now tying up with various other retail chain stores like Future group retails, Modern trade stores, Reliance retail, Hypercity and Star Bazaar.

With reference to the above :

(a) Name and discuss the pricing strategy used Patanjali Ayurved Ltd. (PAL). Why has this strategy been successful ? [5]

(b) PAL's target is to double their sales in the current financial year. How do they plan to achieve this ? [5]

(c) PAL has not been using sales promotion techniques to increase their sales. Discuss any five such techniques that you feel would help the company to achieve its sales target. [5]

Solution:

(a) Patanjali Ayurved Ltd. (PAL) used Penetrating Pricing Strategy. In this strategy, they set low price in the initial stage so as to make the brand quickly popular and to maximise the market share. Many firms used this strategy while launching fast moving consumer products. The policy results in high sales volume during the initial stages of a product's life cycle. This strategy is successful because in initial stage product is sold at low price to capture the market trend and catch the customers attention.

(b) PAL's target is to double their sales in the current financial year because they manufacture Ayurvedic and natural product at cheaper rates. They sell their products online to promote their products and tie up with the various retail chain stores like Future group retails, Modern trade stores, Reliance retail etc.

(c) Sales promotion techniques are used to increase their sales. These are as follows :

1. Distribution of samples : Under this method, free samples of products are distributed. Consumers use these samples and they purchase it regularly, if it gives them satisfaction. This method is generally used for products of daily use like tea, soap, detergents, toothpaste etc.
2. 'Money of coupons : It is a kind of certificate telling that the product mentioned there can be obtained at a specified discount. Possession of a coupon motivates the consumers to buy that product.
3. Premium or bonus offer: A premium offer is the offer of an article free of cost on the purchase of a specified quantity of a product. For example, one bathing soap may be given free on purchase of two bathing soaps.
4. Prize contests : The manufacturer of a product organises a contest among the retailers by which the retailers who cross the targeted sales are given an opportunity to take part in a contest which has prizes like Malaysia tours.
5. Money refund: In this case, the seller refunds a part of price paid by the customer on the production of some proof of purchase. For example, a producer may offer to refund ₹ 10 on sending the cash memo or wrapper of the product.

Question 10.

Mr. Raj is a newly appointed Human Resource Manager of the Hyderabad branch of a foreign bank. The bank is looking for a rapid expansion of its business in the Southern region. So it wants to recruit, select new employees and launch various schemes and offers. Being an organisation of repute, it is highly essential to select efficient people who will be able to contribute effectively to the growth of the business. The entire responsibility of developing a good work force for business expansion in the region is entrusted to Mr. Raj. With reference to the above :

(a) Name the key function of Human Resource Management which Mr. Raj is expected to perform. Mention the key activities under this function. [5]

(b) Describe any two roles of Human Resource Management. [5]

(c) Briefly explain any five tests required for selecting employees. [5]

Solution:

(a) The key function of Human Resource Management which Mr. Raj is expected to perform is Procurement function.

The key activities performed under this function are as follows :

1. Job Analysis : It is the process of studying in detail the operations and responsibilities involved in a job so as to identify the nature and level of human resources required to perform the job effectively. Job descriptions and job specifications are prepared with the help of information provided by job analysis.
2. Human Resource Hanning : It is the process of estimating the present and future manpower requirements of the organisation, preparing inventory of present manpower and formulating action programmes to bridge the gaps in manpower.
3. Recruitment : It is the process of searching for required personnel and stimulating – them to apply for jdjs in the organisation. A proper balance should be maintained between the internal and external sources of recruitment.
4. Selection : It implies judging the suitability of different candidates for jobs in the organisation and choosing the most appropriate candidate.
5. Placement : It means assigning suitable jobs to the selected candidates so as to match employee qualifications with job requirements.

(b) The role of human resource management can be discussed at four levels – corporate, professional, social and national. Here, we explain two rules of HRM :

1. Significance for an Enterprise: Human resource management can help an enterprise in achieving its goals more efficiently and effectively in the following ways :

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.

2. Professional Significance : Effective management of human resources helps to improve the quality of work life. It permits team work among employees by providing a healthy working environment. It contributes professional growth in die following ways :

1. Providing maximum opportunities for personal development of each employee.
2. Maintaining healthy relationships between individuals and different work groups
3. Allocating work properly.

(c) The main types of selection tests are as follows :

1. Intelligence Tests : These tests are used to measure a person's capacity for reasoning and comprehension in terms of his memory, vocabulary, mental alertness, capacity to grasp and to put together the elements of an abstract situation. A candidate's IQ (Intelligence Quotient) or mental alertness can be estimated through intelligence tests.
2. Aptitude Tests : Such tests seek to measure a candidate's capacity to learn particular skills and his potential abilities.
3. Trade Tests : These tests are designed to measure the applicant's level of knowledge and skill already achieved in a particular trade or occupation. For example, candidates for the job of a typist may be asked to type a page so as to judge their speed and accuracy. Trade tests are also known as performance tests, proficiency tests or achievement tests.
4. Interest Tests : Such tests are employed to find out the preferences of an individual for a certain type of work.
5. Personality Tests : These tests are aimed at finding out emotional balance, maturity, temperament, etc., of the candidate.