

ICSE Paper 2019 Commercial Studies

- 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.
 - Attempt all questions from Section A and any four questions from Section B.
 - The intended marks for questions or parts of questions are given in brackets [].
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Section – A (40 Marks)

(Attempt all questions from this Section)

Question 1.

Distinguish between:

- (a) Marketing and Sales [2]
- (b) Central Bank and Commercial Bank [2]
- (c) Product and Service [2]
- (d) Debit Card and Credit Card [2]
- (e) Shares and Debentures [2]

Answer :

(a)

Marketing	Sales
(i) It is market oriented. (ii) Emphasis is on consumer wants. (iii) Marketing begins before production. (iv) Marketing continues even after selling the product.	(i) It is product oriented. (ii) Emphasis is on product. (iii) Sales starts after production. (iv) Sales comes to end after selling the product.

(b)

Central Bank	Commercial Bank
(i) It is a banker to the banks and the government of the country. (ii) It looks after the monetary system of the country is known as Central Bank. (iii) It has the right to print currency notes. (iv) It prepares monetary policy.	(i) It is the banker to the citizens of the nation. (ii) It provides banking services to the public (fund based and non-fund based). (iii) No such right.

	(iv) A commercial bank does not have any right to prepare monetary policy.
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(c)

Product	Service
(i) A product is a physical, tangible product. (ii) Product can be returned to the seller. (iii) Products can be quantified numerically.	(i) Service is intangible product. (ii) Service cannot be returned to the seller. (iii) Services cannot be quantified in terms of numbers.

(d)

Debit Card	Credit Card
(i) Debit card is issued only when a person has a deposit account in his bank. (ii) Payment done through debit card is deducted directly to the deposit account of the customer. (iii) Easy to obtain. Banks generally issue debit cards to their deposit accounts holders at the time of opening of a deposit account by a new customer, or mere on application to the existing customer.	(i) It is issued to a person without any deposit account in his bank. (ii) Payment done through credit card is to be paid after a certain time interval. (iii) Involves an application and verification process. It takes few days to issue a credit card to the applicant.

(e)

Shares	Debentures
(i) Shares are the owned funds of the company. (ii) Shares represent the capital of the company. (iii) Shares cannot be converted into debentures.	(i) Debentures are the borrowed funds of the company. (ii) Debentures represent the debt of the company. (iii) Debentures can be converted into shares.

Question 2.

- Mention any two objectives of Pricing. [2]
- Explain 'Sales Budget'. [2]
- What is 'Social Advertising Media'? [2]
- What is 'Discounting of bills of exchanges'? [2]
- What do you mean by On – the – job training and Off – the – job training? [2]

Answer :

(a) Objectives of the pricing are:

1. to increase the sales volume of the firm.
2. to maximize profit of the firm.
3. to achieve quality leadership by pricing.
4. to remove competitors from market.

(b) A sales budget is an estimate of sales for a future accounting period. Sales budgets are often divided into first, second, third and fourth fiscal quarter estimates. The more accurate your sales estimates, the more effectively you can manage your business. While preparing the sales budget, the following factors are kept in mind :

- Past Sales Figures and Trends
- Plant Capacity
- Availability of Raw Materials
- Seasonal Fluctuations
- Orders in Hand

(c) Social advertising media is a form of Internet advertising (unpaid efforts) that utilizes social networking websites as a marketing tool. Social advertising is any advertising in which you're paying the social media company to display your content. It could be a display ad, a promoted tweet or other showcasing of your profile, products or services. The goal of social advertising media is to produce content that users will share with their social network to help. YouTube, Facebook, Twitter are the popular social advertising platforms.

(d) If the drawer of the bill does not want to wait till the due date of the bill and is in need of money, he may sell his bill to a bank at a certain rate of discount. The bill is endorsed by the drawer with a signed and dated order to pay the bank. The bank becomes the holder and the owner of the bill. After getting the bill, the bank will pay cash to the drawer equal to the face value less interest or discount at an agreed rate for the number of days it has to run. This is known as discounting of bills of exchange.

(e) The training given to an employee while he/she is performing tasks or processes related to his/her particular occupation. The employee typically performs tasks that are essential to their job function with the supervision of a manager. This type of training is typically used to broaden an employee's skill set and to increase productivity.

When the employees are given training outside the actual work location, such a type of training is termed as off the job training. The reason behind imparting training at a place other than the job location is to provide a stress-free environment to the employees where they can concentrate only on learning.

Question 3.

- (a) What is meant by 'Deferred Revenue Expenditure' ?
- (b) What do you understand by 'Semi variable Costs' ?
- (c) How do warehouses help in price stabilization ?
- (d) Why is a 'Master Budget' also known as a Summary Budget ?
- (e) Explain the term 'Logistics'.

Answer :

(a) Deferred Revenue Expenditure is an expenditure which is revenue in nature and incurred during an accounting period. These expenses are large in amount and the benefits are not consumed within the same accounting period. Suppose that a company is introducing a new product to the market and decides to spend a large amount on its advertising in the current accounting period. This marketing spend is supposed to draw benefits beyond the current accounting period.

(b) Semi-variable costs are costs or expenses whose behaviour is partially fixed and partially variable. Semi-variable costs remain fixed up to a particular production volume. Beyond this volume, semi-variable costs increase in direct proportion to output. Wages, for instance, are semi-variable costs which multiply by 1.5 beyond 40 hours worked in a given week.

(c) Warehouses play an important role in the process of price stabilization. They help in the stabilization of prices by adjusting demand and supply. Scarcity in supply of goods may increase their price in the market. Again, excess production and supply may also lead to fall in prices of the product. By maintaining a balance of supply of goods, warehousing leads to price stabilization.

(d) Master budget works as a summary budget for the overview of the business owners and the management. The master budget indicates how much the organization is earning and what the expenses are incurred as a whole.

(e) Logistics is used more broadly to refer to the process of coordinating and moving resources – people, materials, inventory and equipment – from one location to storage at the desired destination.

Question 4.

- (a) What is 'National Electronic Fund Transfer' ? [2]
- (b) State any two precautions while using an 'ATM'. [2]
- (c) What do you understand by 'Health Insurance' ? [2]
- (d) What do you mean by Internet and Cyber Fraud ? [2]
- (e) Explain any features of Environment (Protection) Act, 1986. [2]

Answer :

(a) National Electronic Funds Transfer (NEFT) is a nation-wide payment system. Under this Scheme, individuals can electronically transfer funds from any bank branch to any individual having an account with any other bank branch in the country participating in the Scheme. NEFT transactions are settled in batches. There is no lower or upper limit of funds for NEFT transactions. (However, in case of RTGS funds transfer, the minimum lower limit is fixed at Rs. 2 lakh and no upper limit).

(b) While using ATM, the following precautions should be taken :

1. Do transaction yourself.
2. Insert the card in card slot properly.
3. While typing the password, take care that no one is looking at your fingers.
4. When the transaction is completed, press Cancel button.

(c) Health insurance is a type of insurance coverage that covers the cost of an insured individual's medical and surgical expenses. Depending on the type of health insurance coverage, either the insured pays costs out of pocket and receives reimbursement, or the insurer makes payments directly to the health service provider.

(d) Internet fraud is a fraud committed on the Internet, using the Internet and by means of the Internet. Internet fraud is the use of Internet services or software with Internet access to defraud victims or to otherwise take advantage of them. Frequent instances of Internet fraud include business fraud, credit card fraud, internet auction fraud, investment schemes.

Cyber fraud refers to any type of deliberate deception for unfair or unlawful gain that occurs online. The most common form is online credit card theft. Other common forms of monetary cyber fraud include non-delivery of paid products purchased through online auctions and non-delivery of merchandise or software bought online. Cyber fraud also refers to data break-ins, identity theft, and cyber bullying, all of which are seriously damaging. ,

(e) Features of Environment Protection Act, 1986 are:

- To take all necessary measures for protecting quality of environment.
- Lay down standards for discharge of environmental pollutants.
- Empower any person to enter, inspect, take samples and test.
- Establish or recognize environmental laboratories.
- Lay down safeguards for prevention of accidents and take remedial measures in case of such accidents.
- Lay down procedures and safeguards for handling hazardous substances.

SECTION – B (40 MARKS)

(Attempt any four questions from this Section)

Question 5.

- (a) State any five expectations of employers from a business enterprise. [5]
(b) Briefly discuss any five advantages of E-commerce over traditional methods of [5] transactions.

Answer :

- (a) Expectations of the employers are :

1. Employees should be dependable and should keep secrecy of the business.
2. Employees should achieve sales targets of the business firm.
3. Employees should achieve profits for the firm.
4. They expect quick learning on the part of their employees.
5. Employers expect feedback of the products or services supplied by the business firm.

- (b)

1. Anytime, Anywhere Services : Internet technology is available anywhere, anytime, i.e. 24 hours service across the world.
2. Cost Effective : E-commerce transactions lead to reduction in cost by sending e-mail etc.
3. Online Marketing : It is buying and selling of goods on internet.
4. Way of Information : Important information about consumer needs can be gathered with the use of e-commerce technology.
5. Effective Advertisement : E-commerce is also a source of advertisement. Through internet a seller can give information to the consumer about its product.
6. Instant Services : E-commerce provides promptness in service through which customers can get information in seconds while sitting in home or office.
7. No need for Middleman : E-commerce does not require involvement of any middlemen, as there is direct contact between buyer and seller.
8. World Level Expansion : Business has expanded many times through global reach of internet.
9. Multiple Models of Business : E-commerce serves as a medium of interaction between customer to customer (C2C), between business to consumer (B2C), business to business (B2B) etc.

Question 6.

- (a) What is an Advertising Agency? Explain any two of its functions. [5]
(b) Explain any five rights enjoyed by consumers as per The Consumer Protection Act, 1986. [5]

Answer :

(a) Advertising agency is an independent service-rendering organization. It delivers various services and performs many functions for its clients, who are advertisers. It is mainly involved in activities like planning, preparing and placing of ads in media. It also performs non-advertising functions for them. It offers them advisory and creative services. It does so to make a profit.

Functions :**(i) Media selection :**

Advertising agency helps an advertiser to select a proper media (ad platform) to promote his advertisement effectively. Media selection is a highly specialized function of an ad agency. It must select the most suitable media for its client's ad. It must choose media, which has a potential to give best results for the lowest cost. It must select more than one media for the ad. For example, an advertisement can be put on television, the internet, newspapers, magazines, etc. After selecting the media, the ad agency must maintain good contacts with the media.

(ii) Sales promotion :

Advertising agency performs sales promotion. It helps an advertiser to introduce sales promotion measures for the dealers and consumers. This helps to increase the sales of the product.

(b) Consumers' rights under section-6 of the consumer protection act are as follows :

(1) Right to Safety : A consumer has the right to safety against such goods and services as are hazardous to his health, life and property. For example, spurious and sub-standard drugs; appliances made of low quality raw material, such as, electric press, pressure cooker, etc. and low quality food products like bread, milk, jam, butter, etc. The consumers have the right to safety against the loss caused by such products.

(2) Right to be Informed/Right to Representation : A consumer has also the right that he should be provided with all the information on the basis of which he decides to buy goods or services. Such information relate to quality, purity, potency, standard, date of manufacture, method of use, etc. of the commodity. Thus, a producer is required to provide all such information in a proper manner, so the consumer is not cheated.

(3) Right to Choose : A consumer has the absolute right to buy any goods or services of his choice from among the different goods or services available in the market. In other words, no seller can influence his choice in an unfair manner. If any seller does so, it will be deemed as interference in his right to choice.

(4) Right to be Heard : A consumer has the right that his complaint be heard. Under this right, the consumer can file a complaint against all those things which are prejudicial to his interest. First, their rights mentioned above (Right to Safety; Right to be informed and Right to choose) have relevance only if the consumer has the right to file his complaint against them.

These days, several large organizations have set up Consumer Service Cells with a view to providing the consumer the right to be heard. The function of the cell is to hear the complaints of the consumers and to take adequate measures to redress them. Many daily newspapers have also special columns to entertain the complaints of the consumers.

(5) Right to Seek Redressal : This right provides compensation to the consumers against unfair trade practice of the seller. For instance, if the quantity and quality of the product do not conform to those promised by the seller, the buyer has the right to claim compensation. Several redressals are available to the consumer by way of compensation, such as free repair of the product, taking back of the product with refund of money, changing of the product by the seller.

Question 7.

- (a) What is a Capital Market? Explain any two of its functions.
- (b) Explain any five objectives of Industrial Relations.

Answer :

(a) The capital market is a market for financial assets which have a long or indefinite maturity. Capital market involves various instruments which can be used for financial transactions. Capital market provides long term debt and equity finance for the government and the corporate sector.

Capital market can be classified into primary and secondary markets. The primary market is a market for new shares, where as in the secondary market the existing securities are traded. Capital market institutions provide rupee loans, foreign exchange loans, consultancy services and underwriting.

Functions of the capital market :

(i) Mobilization of Savings : Capital market is an important source for mobilizing idle savings from the economy. It mobilizes funds from people for further investments in the productive channels of an economy. In that sense it activates the idle monetary resources and puts them in proper investments.

(ii) Capital Formation : Capital market helps in capital formation. Capital formation is net addition to the existing stock of capital in the economy. Through mobilization of idle resources it generates savings; the mobilized savings are made available to various segments such as agriculture, industry, etc. This helps in increasing capital formation.

(b) The main objectives of industrial relations are :

- To safeguard the interest of labour and management by securing the highest level of mutual understanding and goodwill among all those sections in the industry which participate in the process of production.
- To avoid industrial conflict or strife and develop harmonious relations, which are an essential factor in the productivity of workers and the industrial progress of a country.
- To raise productivity to a higher level in an era of full employment by lessening the tendency to high turnover and frequency absenteeism.
- To establish and promote the growth of an industrial democracy based on labour partnership in the sharing of profits and of managerial decisions, so that an individual's personality may grow its full stature for the benefit of the industry and of the country as well.
- To eliminate or minimize the number of strikes and lockouts by providing reasonable wages, improved living and working conditions, said fringe benefits.
- To improve the economic conditions of workers in the existing state of industrial managements and political government.

Question 8.

(a) Explain the 'Clearing House Function' of the Central Bank. [5]

(b) Explain any five disadvantages of Air Transport. [5]

Answer:

(a) Central bank also acts as a clearing house for the settlement of accounts of commercial banks. A clearing house is an organization where mutual claims of banks on one another are offset, and a settlement is made by the payment of the difference. Central bank being a bankers' bank keeps the cash balances of commercial banks and as such it becomes easier for the member banks to adjust or settle their claims against one another through the central bank.

Suppose there are two banks, they draw cheques on each other. Suppose Bank A has to take Rs. 3,000 from bank B and has to pay Rs. 4,000 to B. At the clearing house, mutual claims are offset and bank A pays the balance of Rs. 1,000 to B and the account is settled. Clearing house function of the central bank leads to a good deal of economy in the use of cash and much of labour and inconvenience are avoided.

(b)

1. High Costs : Air transport is a costly sendee. Its operational costs are too high. Middle class and poor people cannot afford its cash.
2. Transportation : Transportation of all materials is not permissible by Air transport. Travellers cannot carry liquids, sharp objects while travelling.
3. Huge Investments : For creating aviation facilities, huge investments are required. The cost of aeroplanes, construction and maintenance of aerodromes and control mechanism needs a capital expenditure.
4. Unreliable : Most of the air transports are uncertain and the unreliable because these are controlled by weather condition. It is seriously affected by adverse weather- conditions. Fog, snow and heavy rain weather may cause cancellation of some flights.
5. Small Carrying Capacity : The air crafts have small carrying capacity and therefore these are not suitable for carrying bulky and cheaper goods. The load capacity cannot be increased as it is found in case of rails.

Question 9.

(a) Explain the following Principles of Insurance: [5]

(i) Doctrine of Subrogation .

(ii) Mitigation of Loss

(b) Explain briefly any five functions of 'Central Pollution Control Board'. [5]

Answer:

(a) (i) The doctrine of subrogation provides that if an insurer pays a loss to its insured due to the wrongful act of another, the insurer is subrogated to the rights of the insured and may prosecute a suit against the wrongdoer for recovery of its outlay.

(ii) In general, mitigation means to minimize degree of any loss or harm. In insurance contracts, various clauses and conditions are specified so as to ensure minimum losses to the insurer. The actuaries are entrusted with the responsibility of underwriting the insurance policy.

They employ a variety of quantitative techniques in order to assess the risk associated with the insured and decide the appropriate premiums commensurate with the risk. The primary objective of the exercise is to mitigate the risk ingrained with the insured.

(b)

- Advise the Central Government on any matter concerning prevention and control of water and air pollution and improvement of the quality of air.
- Plan and cause to be executed a nation-wide program for the prevention, control or abatement . of water and air pollution.

- Co-ordinate the activities of the State Board and resolve disputes among them.
- Provide technical assistance and guidance to the State Boards, carry out and sponsor investigation and research relating to problems of water and air pollution, and for their prevention, control or abatement.
- Plan and organize training of persons engaged in program on the prevention, control or abatement of water and air pollution.
- Organize through mass media, a comprehensive mass awareness program on the prevention, control or abatement of water and air pollution.
- Collect, compile and publish technical and statistical data relating to water and air pollution and the measures devised for their effective prevention, control or abatement.

Question 10.

The following is the Trial Balance of ABC Industries as on 31st December 2015. [10]

Trial Balance of ABC Industries as on 31.12.2015

Particulars	Amount (Dr.)	Particulars	Amount (Cr.)
Salaries	4,000.00	Sales	83,000.00
Cash Balance	2,000.00	Rent Received	2,000.00
Bank Balance	3,000.00	Purchases Returns	1,000.00
Wages	1,500.00	Creditors	7,000.00
Insurance	500.00	Capital Account	25,000.00
Trade Expenses	7,000.00		
Discount Allowed	750.00		
Opening Stock (1/1/2015)	5,000.00		
Buildings	40,000.00		
Furniture	15,000.00		
Sales Returns	250.00		
Drawings	1,000.00		
Debtors	5,000.00		
Purchases	30,000.00		
Legal Charges	1,000.00		
Advertisement Expenses	2,000.00		
Total	1,18,000.00		1,18,000.00

The closing stock was valued at ₹ 9,000.

You are required to prepare a Trading Account and a Profit and Loss Account for the year ending 31st December 2015 and a Balance Sheet as on 31st December, 2015.