

ICSE SEMESTER 2 EXAMINATION

SAMPLE PAPER - 1

COMMERCIAL STUDIES

Maximum Marks: 40

Time allowed: One and a half hours

Answers to this Paper must be written on the paper provided separately.

You will not be allowed to write during the first 10 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 three** questions from **Section B**.*

SECTION A

*(Attempt **all** questions.)*

Section-A (Attempt all questions)

Question 1.

- (i) Insurance is a contract between two parties by which one of them undertakes to _____ the other against a loss which may arise on the happening of some event.
 - (a) Indemnify
 - (b) Console
 - (c) Sympathizes
 - (d) Threaten
- (ii) _____ is the process of searching for prospective employees and stimulating them to apply for jobs in the organization.
 - (a) Training
 - (b) Recruitment
 - (c) Promotion
 - (d) Demotion
- (iii) The primary function of a _____ is the storage of surplus goods.
 - (a) Warehouse
 - (b) Currency chest
 - (c) Water tank
 - (d) Field
- (iv) This bank is considered to be the custodian of foreign exchange reserve:
 - (a) State Bank of India
 - (b) Punjab National Bank
 - (c) Indian Bank
 - (d) Reserve Bank of India
- (v) It can be defined as the unforeseen element which may impede your progress in achieving the objective:
 - (a) Disease
 - (b) Strength
 - (c) Risk
 - (d) Planning
- (vi) This item is generally shown both in the trading account and balance sheet of a firm:
 - (a) Cash
 - (b) Closing stock
 - (c) Carriage inward
 - (d) Salary
- (vii) This budget is a consolidated summary of the various functional budgets:
 - (a) Master budget
 - (b) Junior budget
 - (c) Senior budget
 - (d) Superior budget
- (viii) This type of recruitment is made by labour officers. Generally, workers gather at factory gate or they are called through notice:
 - (a) Employment exchange
 - (b) Recommendations
 - (c) Placement agencies
 - (d) Gate hiring

- (ix) IMPS stands for:
- | | |
|---------------------------------------|----------------------------------|
| (a) Installment Money Payment Service | (c) Immobile Procurement Service |
| (b) Immediate Payment Service | (d) Immovable Property Station |
- (x) This market acts as the link between the borrowers and lenders of long term funds:
- | | |
|----------------------|--------------------|
| (a) Factor market | (c) Capital market |
| (b) Vegetable market | (d) Money market |

Section-B (Answer any three questions from this Section)

Question 2.

- What do you understand by forecast?
- What is Credit Card fraud?
- Write any three characteristics of a Warehouse.
- Describe the main items to be shown on the debit side of Trading Account.

Question 3.

- What do you understand by Stress Interview?
- Write short notes on the following:
 - Private Warehouse
 - Premium
- Write any three merits of internal source of recruitment.
- What is Banker's Bank function of a Central Bank?

Question 4.

- What are indirect expenses?
- What is Overdraft?
- Differentiate between Budget and Forecast.
- Write about the importance of Insurance.

Question 5.

- What is a share?
- What is marine insurance?
- Why do you think that effective selection of employee is important?
- Differentiate between Central Bank and the Commercial Bank.

Question 6.

- What is false accounting?
- Write short notes on the following:
 - Sales Budget
 - Demotion of Employees
- Use the following Trial Balance to complete the Final Accounts of Ms. R. International for the year ending March 31, 2021.

TRIAL BALANCE

Particulars	Debit Amount	Particulars	Credit Amount
Machinery	35,000	Capital	1,80,000
Purchases	2,00,000	Sales	4,10,000
Sales Return	5,000	Purchases Return	2,500
Opening Stock	50,000	Creditors	25,000
Drawings	20,000		
Wages	50,000		
Carriage inwards	2500		
Salaries	30,000		
General Expenses	10,000		
Rent	25,000		
Debtors	1,50,000		

Cash	20,000		
Carriage Outwards	10,000		
Advertising	10,000		
Total	6,17,500	Total	6,17,500

The Closing Stock was valued at ₹ 1,00,000

Trading Account of Ms. R. International for the year ending March 31, 2021

Particulars	Amount Dr.	Particulars	Amount Cr.
To Opening Stock	50,000	By Sales ₹ 4,10,000	
To Purchases ₹ 2,00,000		Less (-) Sales Return ₹ 5,000	4,05,000
Less (-) _____ (i)	1,97,500	By _____ (ii)	_____ (ii)
To Wages	50,000		
To Carriage _____ (iii)	_____ (iii)		
To Gross Profit c/f to P&L A/c	_____ (iv)		
Total	5,05,000	Total	5,05,000

Profit and Loss Account of Ms. R. International for the year ending March 31, 2021

Particulars	Amount Dr.	Particulars	Amount Cr.
To Salaries	30,000	By Gross Profit b/d from P&L A/c	_____ (iv)
To General Expenses	10,000		
To Rent	25,000		
To Carriage _____ (v)	_____ (v)		
To Advertising	10,000		
To Net Profit c/f to Balance Sheet	_____ (vi)		
Total	2,05,000	Total	2,05,000

Balance Sheet of Ms. R. International as on March 31, 2021

Liability	Amount Dr.	Assets	Amount Cr.
Capital ₹ 1,80,000		Machinery	35,000
Less (-) Drawings - ₹ 20,000		Closing Stock	1,00,000
Add (+) Net Profit - ₹ 1,20,000	2,80,000	Debtors	1,50,000
Creditors	25,000	Cash	20,000
Total	3,05,000	Total	3,05,000



Section-A

Answer 1.

- (i) (a) Indemnify

Explanation :

Insurance is a contract between two parties by which one of them undertakes to indemnify the other against a loss which may arise on the happening of some event.

(ii) (b) Recruitment

Explanation :

Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organization.

(iii) (a) Warehouse

Explanation :

The primary function of a warehouse is the storage of surplus goods.

(iv) (d) Reserve Bank of India

Explanation :

Reserve Bank of India is the Central Bank of the country. That is why Reserve Bank of India is considered as the custodian of foreign exchange reserve.

(v) (c) Risk

Explanation :

Risk can be defined as the unforeseen element which may impede your progress in achieving the objective.

(vi) (b) Closing stock

Explanation :

Closing stock is generally shown both in the trading account and balance sheet of a firm.

(vii) (a) Master budget

Explanation :

Master budget is a consolidated summary of the various functional budgets. It is the culmination of the preparation of all other budgets, like the sales budget, production budget, purchase budget etc.

(viii) (d) Gate hiring

Explanation :

Under Gate hiring, generally, workers gather at factory gate or shop or they are called through notice pasted at the gate of the factory or shop.

(ix) (b) Immediate Payment Service

Explanation :

Immediate Payment Service (IMPS) is an instant interbank electronic fund transfer service which is carried out through mobile phones.

(x) (c) Capital market

Explanation :

Capital market facilitates the borrowing and lending of long term funds through the transactions in shares and debentures etc.

Section-B

Answer 2.

- (i) A forecast is a prediction about future events based on some scientific and mathematical tools. In business, it is associated with the scientific assessment of future business activities. It is a planning tool for a business.

- (ii) A credit card fraud refers to the unauthorized and illegal use of someone's credit card by cloning it or by stealing personal information regarding the card from credit card holder for the purchase of goods and services or transfer of money to unauthorized person or bank account. The credit card fraud is punishable crime.
- (iii) Following are the three characteristics of a warehouse:
 1. **Sufficient Space:** Warehouse is a place used for the storage or accumulation of goods. Thus it needs a sufficient space to store maximum goods.
 2. **Safety:** Warehouse should be established at that place where there is no possibility of deterioration of goods. In other words, they should be built strong to be safe from pilferage's, theft, dacoities, rain, dust, sun, and natural calamities.
 3. **Proper Supervision:** Warehouse should be properly supervised for the proper movements of the goods and to avoid the possibility of deterioration of the goods.
- (iv) Following are the main items to be shown on the debit side of trading account:
 1. **Opening Stock :** Closing Stock of the previous accounting year is the opening stock for the current year which is shown in the debit side of trading account.
 2. **Purchases:** It includes purchases of raw material, semi-finished goods or finished goods during the accounting year in cash and on credit for the purpose of further processing and/or sale. It is shown in the debit side of trading account.
 3. **Direct Expenses :** All the expenses incurred for bringing the purchased goods to the godown of the trader or trading place are known as direct expenses, e.g., carriage inward, brokerage and commission on purchases, wages, import duty, octroi etc.

Answer 3.

- (i) Stress interview is held to see how tolerant and patient a 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.
- (ii) (a) **Private Warehouse:** Private warehouses are owned by the traders or manufacturers to store own manufactured or bought goods, until they are sold out. Since these warehouses are operated for own purposes, their services are not available to other manufacturers.
- (b) **Premium:** Premium refers to the non-refundable amount paid by an insured to the insurer or insurance company for providing insurance cover against some risk of the insured.
- (iii) Following are the three merits of internal source of recruitment:
 1. **Economical:** Internal source is economical because the enterprise is not required to incur expenses on recruitment from outside the organisation. There are lesser number of candidates who are known and the most suitable candidate is selected according to merit or seniority or both.
 2. **Familiarity with Policies:** The present employees are aware of the policies, plans, culture and the actual working conditions of the enterprise, so they are not required to waste time in necessary adjustments.
 3. **Employee's Morale:** Promotion from within, increases employees' morale. The policy of internal promotions makes them enthusiastic and optimistic and they contribute their best efforts and energies.
- (iv) The central bank is the bank for all the commercial banks in the country. In other words, the relations of central bank with other banks of the country are similar to those of a bank with its customers. As a matter of legal obligation, the commercial banks have to keep certain portion of their deposits with the central bank, as cash reserves. These cash reserves enable the central bank, to exercise control of the issue of credits by the commercial banks, thereby keeping entire credit system elastic. As a banker's

bank, the central bank also allows the facility of short term loans and discounting of the bills to the commercial banks. The central bank by notification also advises the commercial banks of the country in matters relating to their business, like fixation of the rate of interests on deposits and loans, etc.

Answer 4.

- (i) Indirect expenses are those expenses which are related to running of the organization and sale of the goods. These include administrative expenses such as salary of employees, rent of office building, printing, stationery, postage, internet and telephone expenses etc.; selling and distribution expenses such as warehouse expenses, advertisement expenses, commission of sales representative, freight and cartage on sales, packing expenses etc.
- (ii) The overdraft is a facility allowed to the depositor maintaining a current account with the bank. According to this facility, a borrower is allowed to withdraw more amount than what he has in his current account. The excess amount so withdrawn has to be repaid to the bank in a short period with interest.
- (iii) The difference between budget and forecast is given below:

	Budget	Forecast
1	Budget shows the policy and programme to be followed in a future period under planned conditions.	Forecast is a mere estimate of what is likely to happen. It is a statement of probable events which are likely to happen under anticipated conditions during a specified period of time.
2	It begins when forecasting ends. Forecasts are converted into budgets.	Forecasting is a preliminary step for budgeting. It ends with the forecast of likely events.
3	It is usually planned separately for each accounting period.	It may cover a long period or years.

- (iv) Following is the importance of Insurance:

1. **Removing Fear:** There is always a fear of accidental losses in business. Insurance helps to remove such fear from the mind of the businessmen. The insured is secured in the knowledge that the protection of the insurance fund is behind him if some bad event happens. Hence, It creates confidence and eliminates worries.
2. **Distribution of Burden:** The fundamental principle of insurance is to spread risk among a large number of people. A large number of people get insurance policies and make the payment of small premiums to the insurance company which creates a pool out of which the loss of policy holder is compensated. Hence, the burden gets shared by a large number of policy holders.
3. **Removal of Uncertainties:** Insurance Company undertakes the risks of uncertain losses of an insured. Though the possibility of uncertain loss cannot be eliminated altogether but insurance cover provides a certainty of compensation to the insured in case of any loss.

Answer 5.

- (i) A share is a unit of a firm's capital. The total capital of a company is divided into several units of equal value and each unit is called a share.
- (ii) It is one of the oldest forms of insurance. It covers all marine losses i.e., the losses incidental to marine adventure. Marine insurance may be called a contract whereby the insurer undertakes to indemnify the insured in a manner and to the extent thereby agreed upon against marine losses.
- (iii) The effective selection of employees is important due to the following reasons:
 1. An effective selection helps in finding out right candidates and building up the suitable work force.
 2. A right selection results in the low absenteeism and high employee retention.
 3. It results into higher efficiency and maximum production at minimum cost.

(iv) Following are the differences between central bank and commercial bank:

	Central Bank	Commercial Bank
1	The central bank is the apex monetary institution which has been specially empowered to exercise control over the banking system of the country.	A commercial bank is a constituent unit of the banking system.
2	The central bank does not operate with a profit motive.	A commercial bank is normally guided by profit motive.
3	The central bank has the monopoly of issuing notes.	A commercial bank does not enjoy such right.

Answer 6.

- (i) False accounting refers to the presentation of false information by changing or manipulating the figures in the books of account or records by the business entities. The false accounting is a big cause for black money generation.
- (ii) (a) The sales budget is a forecast of total expected sales, expressed in terms of money and quantity. The first step in the preparation of the sales budget is to forecast as accurately as possible the sales anticipated during the budget period.
- (b) Demotion is the process of placing a senior employee to lower level responsibilities and lower ranks as punishment. Demotion shacks the morale and self-respect of employees and acts as the negative motivation.

(iii) **Trading Account**

- (i) Purchases Return – ₹ 2,500
- (ii) Closing Stock – ₹ 1,00,000
- (iii) Carriage Inwards – ₹ 2,500
- (iv) Gross Profit – ₹ 2,05,000

Profit and Loss Account

- (v) Carriage Outwards – ₹ 10,000
- (vi) Net Profit – ₹ 1,20,000