

ICSE Paper 2010
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) A Market and Marketing. [2]

(b) Trade discount and Cash discount. [2]

(c) Capital and Revenue Expenditure [2]

(d) Direct Cost and Indirect Cost [2]

(e) Receipts and Payments account and Cash Book. ** [2]

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

Answer:

(a)

Market	Marketing
The term market means the sum total of the environment in which resources, activities and attitudes of buyers and sellers affect the demand for products and services.	Marketing is a total system of interacting business activities designed to plan, price, promote and distribute want satisfying product to target markets to achieve organisational objectives.

(b)

Trade Discount	Cash Discount
Trade discount is the discount given by the seller to the prospective buyer as an incentive to cause immediate sale.	Cash discount is the discount given by the seller to the buyer as an incentive for prompt payments.

(c)

Capital Expenditure	Revenue Expenditure
Capital expenditure is the expenditure made the benefit of which is enjoyed over a long period of time (more than one year).	Revenue expenditure is the expenditure incurred for the current accounting period only and the benefit is derived in the same year.

(d) [Refer Ans. 1. \(d\), 2016.](#)

Question 2:

- (a) Give the 4 P's of marketing mix. [2]
- (b) What is Skimming Pricing? [2]
- (c) State four stages of Accounting Cycle. [2]
- (d) What do you mean by overdraft? [2]
- (e) Mention any two objectives of Advertising. [2]

Answer:

(a) The 4 P's of marketing mix are:

- (i) Product Mix. (ii) Price Mix.
- (iii) Place or Physical Distribution Mix. (iv) Promotion Mix.

(b) **Skimming Pricing:** In this strategy, a very high price is set so that in the initial stages the cream of demand may be skimmed and the investment made in the product is quickly realized. The aim is to 'sell to classes' who don't care how much they pay for a new product. Initial high prices provides funds from expansion.

(c) **Stages of Accounting Cycle:**

1. Recording Transactions in Journal.
2. Posting Entries in Ledger.
3. Transferring Balances in Trial Balance.
4. Preparing Income Statement.

(d) Refer Ans. 7. (a), 2011.

(e) Refer Ans. 2. (b), 2011.

Question 3:

- (a) What is a Foreign Bank? Give two examples. [2]
- (b) Mention any two advantages of an ATM. [2]
- (c) What is Penetrating Pricing? [2]
- (d) Mention any two scopes of Public Relations. [2]
- (e) Give two differences between surplus and profit. [2]

Answer:

(a) **Foreign Banks** are the commercial banks of foreign countries situated in another country, eg., Citi Bank, American Express Bank.

(b) **Two advantages of ATM:**

1. Customers are provided with facilities like withdrawing money etc. round the clock. It implies that we can get money at any time and anywhere. We don't need to carry loose currency everywhere.
2. Customers can easily get a mini statement of last four transactions without actually visiting the bank.

(c) **Penetrating Pricing:** This strategy involves setting a low price in the initial stage so as to make the brand quickly popular and to maximise the market share. The manufacture seeks to sell to the masses. The price may be increased later as the product becomes popular. This strategy is generally adopted by new firms.

(d) **Two scopes of Public Relations:**

1. **Employee Relations:** The foundation of good employee relations are sound personnel policies and their impartial implementation. Employee judge a company by its personnel policies and the practices of management in carrying out these policies. Employees want to express their opinions about matters affecting their interests. Therefore, two way channels of communication between management and workers are required.
2. **Consumer Relations:** Consumers determine the success or failure of a business enterprise. Therefore, a sincere concern for consumer is essential. Developing better relations with consumers is a challenging task.

(e)

Surplus	Profit
1. Surplus is the excess balance of all direct incomes over the expenses of the accounting period.	Profit is ascertained by subtracting all expenses direct or indirect from all incomes earned during an accounting period.
2. It is not a reliable source for judging the financial standing of a firm.	It is used to observe the financial performance and position of a firm.

Question 4:

Justify either for or against by giving two reasons for each:

(a) Selection is a process of elimination. [2]

(b) Today's Marketing Concept is known as Consumer Oriented Concept. [2]

(c) MI donations received by Non-Trading Concerns are entered in the Liabilities side of The Balance Sheet. [2]

(d) There is no difference between Training and Development. [2]

(e) A branded product needs no sales promotion. [2]

Answer:

(a) **For:** Selection is a process of elimination because:

1. The number of candidates rejected is much higher than that of selected persons.
2. At every stage several candidates are rejected so that the most suitable candidate may be identified.

(b) **For:** Today's Marketing Concept is known as Consumer Oriented Stage because:

1. Consumer satisfaction is the principal reason for corporate existence.
2. Producers have realized that business policies and programmes should be built around the goal of customer satisfaction.

(c) **For:** All donations received by Non-Trading Concerns are entered in the liability side of the Balance Sheet because:

1. It is an income of non-recurring nature.
2. It is a capital nature receipt.

(d) Against: There is difference between Training and Revolvment because:

1. Training involves improving the knowledge and abilities of workers for performing specific jobs while development involves improving the capacity of managers to take up more difficult and challenging jobs.
2. Training is time bound whereas development is life long.

(e) For: A Branded products need no sales promotion because:

1. A branded product is already well known and popular amongst the consumers.
2. The brand name itself acts as a advertisement and/or a method of sales promotion for the product.

Section – B (60 Marks)

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

Question 5:

(a) What stands for the acronym AIDCAM? Explain any two methods used to popularize any brand. [5]

(b) Explain the features of Newspapers and Posters as media of advertising. [5]

(c) Explain any two basic concepts of Accounting. [5]

Answer:

(a) AIDCAM stands for Attention, Interest, Desire, Conviction, Action and More Sales. These are the various steps involved in personal selling summed up in the acronym 'AIDCAM'.

The two methods used to popularize a brand are:

1. **Advertisements:** Advertisements in newspapers, radio, TV and other media are regularly given to make a particular brand well known among consumers. It is due to repeated advertisements that Lux Soap, Colgate Toothpaste, Titan Watch, Maruti Car and other brands have become popular in the market.
2. **Publicity:** Publicity means any commercially significant news which has no sponsor, is non-personal and is not paid for by the individual or organisation involved in it. Mass media such as newspapers, radio and television give news and views about an organisation and its products or services in such a way that the image of the organisation is enhanced.

(b) The features of newspapers as a media of advertising are:

1. Newspapers has a wide circulation and therefore, the advertisement reaches a large number of persons.

2. The choice of a particular newspaper for advertising depends upon the circulation of the paper, language, types of readers it serves etc.
3. Newspapers are printed daily and therefore the advertisement can be repeated daily.

The features of poster as a media of advertising are:

1. Posters are a medium of attracting attention quickly and requires little time and effort on the part of the readers.
2. It is a mutual medium of advertising. The same poster serves to many people.
3. Poster can be put at any place and provide selectivity in advertising.

(c) The basic accounting principles are accepted and used by accountants all over the world. Some principles are as follows:

1. **Business Entity Concept:** According to this concept, a business firm is treated as a unit, separate and distinct from its owners. A completely separate set of books is kept for the firm and business transactions are recorded from the firm's point of view. Thus the capital provided by the owner is treated as a liability of the firm. Interest on capital is treated as an expense of business. Similarly money/goods drawn by the owner are treated as drawings.
2. **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. Fixed assets are recorded at their original cost less depreciation. Market value of fixed assets is not recorded, as these assets are not to be sold in the near future.

Question 6:

(a) What is Creation of Credit? Describe any two quantitative credit control methods. ** [5]

(b) Distinguish between a Cheque and a Bill of Exchange. ** [5]

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

(c) Write short notes on:

(i) Opportunity Cost. (ii) Variable cost. [5]

Answer:

(c) (i) Opportunity Cost means the benefit sacrificed for selecting a particular course of action. It is the maximum advantage that could be obtained if the resource was put to an alternative use. In other words, the opportunity cost of anything is the next best alternative that could be produced instead by the same factors or by an equivalent group of factors costing the same amount of money.

(ii) **Refer Ans. 2. (a), 2015.**

Question 7:

(a) Describe any five factors influencing the choice of advertising media. [5]

(b) Explain any two basic elements of Human Relations. [5]

(c) Write short notes on:

(i) Total Cost. (ii) Performance Appraisal. ** [5]

Answer:

(a) The five factors influencing the choice of advertising media are:

1. **Nature of the Product:** The product to be advertised is the main determinant of the advertising medium. Consumer Goods have a general and wide appeal. On the other hand industrial goods can be advertised better in specialised trade, technical and professional journal.
2. **Nature and Size of the Market:** The geographical location or region, size of population and its purchasing power should be considered before Reflecting the media of advertisement.
3. **Objects of Advertising:** The objectives of the advertising campaign are very important in deciding the medium of advertising.
4. **Circulation of Media:** Newspapers and other media having wide circulation are useful when the message is to be conveyed to a very large number of people.
5. **Media used by Competitions:** The media used by the suppliers of competitive or substitute products also influence the choice of the medium of advertisement. In order to face competition, it becomes necessary to advertise in media adopted by competitions.

(b) The two basic elements of Human Relations are:

1. **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 same idea, product, service or institution, to induce a person or group or to do something. We are all engaged in persuasion.
2. **Dialogues** means a conversation between two persons with a purpose. If a person goes on talking without allowing others to participate in the discussion or talk, then it becomes a monologue. Democracy and freedom cannot survive without discussion and debate. In a dialogue each person presents facts and views and considers the facts and views presented by others.

(c) (i) **Total Cost** describes the total economic cost of production and is made up of variable costs, which vary according to the quantity of a good produced and includes inputs such as labour and raw materials, plus fixed costs, which are independent of the quantity of a good produced and include inputs that can not be varied in the short term such as building and machinery.

Question 8:

- (a) Describe the procedure to be followed to open a Savings Account in a Bank. [5]
(b) Give five differences between Profit and Loss Account and Income and Expenditure Account. [5]
(c) Explain any five functions of the Central Bank. [5]

Answer:

(a) Refer **Ans. 7. (a), 2013.**

(b)

Profit and Loss A/c	Income and Expenditure
1. The main object of this account is to calculate the net profit or net loss.	1. The main object of income and expenditure account is to ascertain surplus or deficit.
2. This account is prepared by trading organisation which seek to earn profit.	2. This account is prepared by non-trading concerns which do not seek to earn profit.
3. This account is prepared on the basis of Trial Balance.	3. This is prepared on the basis of Receipts and Payments account and other information.
4. The Balance of this account shows surplus or deficit.	4. The balance of this account shows net profit or net loss.
5. This account contains indirect gains and indirect expenses.	5. This account is a summary of all incomes and expenses.

(c) Five functions of a central bank: **Refer Ans. 6. (c), 2014.**

Question 9:

Case Study

The system of Teacher Education holds the key responsibility in the making of professionally qualified and competent teachers. An effective teacher must have a positive attitude towards teaching as a profession, commitment and dedication towards teaching as a function. A profession is a specialized occupation involves specific orientation and training.

The purpose of a code of professional ethics for academic staff is to provide guidance in exercising the ethical responsibilities inherent in a profession.

- (a) State and explain any two external sources of recruitment. [5]
- (b) Suggest any two types of training to enhance teachers' proficiency. [5]
- (c) Suggest any two primary professional obligations of school teachers towards students. [5]

Answer:

(a) [Refer Ans. 8. \(a\), 2011.](#)

(b) The two types of training to enhance teacher proficiency are:

1. **Job Training:** Such training is given to make the employees proficient in performing the operations of the job. The new entrants are trained to handle the equipments and raw-materials correctly and perform the job operations efficiently. Old employees are acquainted with the latest methods of executing the jobs.
2. **Induction Training:** Induction or orientation training refers to the training given to the new employees. The training is imparted by a competent and experienced executive, who provides knowledge about the work, tools, equipments, techniques and situational problems or total infra-structure. The object is to make the employee aware and believe in the ideologies of the working.

(c) The two primary professional obligations of school teachers towards students are:

1. To train the students in the least possible way to face the world.
2. Effective education system improves the self-confidence of the students. They take greatest interest in their work and feel a sense of security. Effective education improves the personality and motivate all other students.

Question 10:

Case Study

Soon you could get a colour mobile handset which offers an MP3 player, FM radio and a removable flash memory card for about Rs. 800. A Netherlands-based semi conductor firm has launched a new single chip solution that promises to make this happen. The company is targeting the rural market in India. During the next phase of rapid expansion of mobile communication in the rural and semi urban areas of India, the firm would like to fulfill the aspirations of first time handset users by offering the next experience in Multimedia.

(a) Explain the stages of the Company's Product Life Cycle mentioned in the paragraph with the help of a diagram. [5]

(b) Name the service to be offered by the Company in the next phase. [5]

(c) Suggest any two modern ways of marketing the concept of a product. Explain. [5]

Answer:

(a) The paragraph mentions the first two stages of product life cycle:

1. **Introduction Stage:** During this stage the product is born. Firm will inform the market existence and features of the product. Since the product is of new variety so the competition is virtually absent, market is limited, prices are relatively high. Growth in sales volume is at a low rate due to lack of knowledge on the part of consumers and limited distribution. Firm should employ effective strategies like proper advertisement, attractive gifts to customers, removing technical and other deficiencies etc.
2. **Growth Stage:** In this stage the demand and sales grow rapidly, distribution widens, competition increases and price falls Firm should shift its promotional focus from 'buy my product to buy my brand'. It should expand sales by increasing market share. In this stage firm should adopt following strategies like heavy advertising, expanding distribution channels, introducing new versions and keeping the price at competitive level.

(b)

1. **Financial Services:** Banks and financial institutions provide various financial services to their customers. Accepting deposit, granting loans and advances, agency and utility functions are examples of financial services.
2. **Insurance Services:** Insurance companies provide life insurance, fire insurance, marine insurance, medical insurance etc.
3. **Warehousing Services:** Warehouses and cold storage provide services to businessmen for storage of goods. Businessmen can keep their goods in public warehouses for a charge.

(c)

1. **Television:** This is the most recent medium of advertising. It is a device combining spoken word, visual presentation of facts and motion. The description of products, their benefits, the method of using them, etc., are

featured in the television programmes. The message has an effective appeal and geographical selectivity is possible. But television advertising is very costly and has a very short life and back reference is not possible.

2. **Fair and Exhibition:** This will bring the product very close to public. The concept can be easily explained to the public and their feedback can be received at the same time.