

KARNATAKA ICSE SCHOOLS ASSOCIATION

ICSE STD. X Preparatory Examination 2024

Subject: Commercial Studies

Answer Key

Question 1

1. (c) Shareholders
2. (a) Increase profit
3. (a) Ad copy
4. (b) Publicity
5. (a) Right to safety
6. (a) Capital expenditure
7. (c) Customer Relationship Management
8. (b) No, she can't file a case against the general store
9. (d) All of the above
10. (d) ₹280,000
11. (d) Asset side of balance sheet
12. (a) Principle of contribution
13. (a) Point of sale machine
14. (c) Repudiation
15. (c) Google Pay and Paytm
16. (b) To monitor the discharge of pollutants into the environment

Question 2

(i)

Basis of Distinction	Internal	External
Position	They operate from inside the organisation.	They operate from outside the organisation.
Role	They actively participate in the management and working of the organisation.	They do not participate actively in the management and working of the organisation.

(ii)

Basis of Distinction	Private warehouse	Bonded warehouse
Meaning	These warehouses are owned by manufacturers and traders to store the goods produced or purchased by them until they are sold out.	This warehouse is established under a bond with the customs authorities for storage of dutiable goods till the payment of imports duty.
Location	It is generally located in rural and suburban areas where space is available at low cost.	It is located in port towns and are licensed by the government.

(iii)

Basis of Distinction	E-tailing	E-advertising
Meaning	It means selling goods over the internet.	It means sending advertising messages to consumers over the internet.
Purpose	It helps the customers to compare prices on site of different e-tailors.	It helps the publisher to integrate different advertisements from an advertiser on his website.

(iv)

Basis of Distinction	On-the-training	Off-the-training
Location	Takes place within the workplace while performing job duties.	Conducted away from the workplace typically at training centres, institutes, or classrooms.
Learning environment	Real work scenarios and actual job tasks are used for learning.	Simulated environments or case studies are often employed for training.

Question 3

(i) External source refers to recruitment of employees from outside the organisation. Advertising is one of the widely used method of external source where sufficient information about the company and details of the job is given for self-screening by prospective candidates. Employment newspaper is an example for this external source.

(ii) Marketing is the process by which goods are made available according to the consumer preference by the manufacturers. It involves transfer of goods and services from producers to consumers for an exchange value.

(iii) According to I.L.O., “social security is the protection which society provides for its members through a series of public measures, against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment, injury, unemployment, invalidity, old age and death, the provision of subsidies for families with children.”

(iv) Suppliers can be a person, business or entity that provides products or services to another entity. Their one of the expectations is “regular and timely payment according to credit terms.”

Question 4

- (i) The master budget is a summarised form of all the budgets of a firm. This budget requires the approval of the Budget Committee before it is put into operation. It is also known as summary budget.
- (ii) These are certain costs which do not vary proportionately but do not remain constant with changes in the volume of output. Such costs are known as semi-variable costs. For example, in telephone costs, basic rental charge is fixed but call charges are variable.
- (iii) A Deferred Revenue Expenditure is an expenditure spent in a current accounting period, however benefit of this expenditure will be reaped in the coming accounting periods whereas, the revenue expenditure is incurred to maintain the existing earning capacity of the business. Its benefit is applicable only to the current accounting period. Money spent on the marketing for launching a new product can be said to be the best example of Deferred Revenue Expenditure.
- (iv) Any action taken with the intention to obtain a fraudulent benefit from an insurance process is an insurance fraud. It may also occur when an insurer knowingly denies a due to benefit to the insured/beneficiary. Both insurer and insured can indulge in insurance fraud. False insurance claims are an example.

Section B

Question 5

- (a) Sales promotion consists of all promotional activities other than advertising, personal selling, and publicity that help to increase sales through non-repetitive and one-time communication. The different techniques are:

1. Distribution of Free Samples: Samples of low-priced and repeat sales items are distributed to selected people to gain consumer acceptance and to popularise the product. The sample may be distribute in the shop or door-to-door. Eg: Pharmaceutical firms distribute free

medical samples to doctors and publishers distribute samples of books to professors for recommendation to the users.

2.Free offer: Some firms offer a free gift when customers buy an expensive product from them. Example, a cordless phone is offered free on the purchase of a refrigerator or colour TV.

3.Merchandising aids: These refer to the services provided to induce commercial buyers to purchase goods in large quantity. Such aids include training in stores layout and inventory control, advertising, etc.

4.Clearance sale: Sales at reduced prices may be organised at important festivals or other occasions. This attracts more number of customers and help to clear accumulated stocks at large. Example, the Khadi Gramodyog Bhavan in New Delhi offers special discount on Khadi goods on Gandhi Jayanti.

5.Exchange offer: This method offers the customers to exchange the old products with new products. Example: BPL Ltd. offered to buyers of refrigerators that they could exchange their old refrigerator and thereby pay less upto ₹3,000 on the new one.

(ii) (a) The sales budget forms the fundamental basis on which all other budgets are built up. Sales budget is a forecast of sales revenue to be achieved during a specified period in future. The sales manager is responsible for the preparation and execution of this budget. It shows the break-up of total sales product wise, territory wise and month wise.

(b) According to this training, the equipment and working conditions of the actual job place are set up in this training place. The trainees learn the job on the equipment and machines which they will be using on the job with the help of the expert trainers. As the trainees are away from the real working environment, the trainees can completely focussed. Example: In such vestibule, a small railway lines, signals and an engine are set up for trainees to learn the job process.

Question 6

(i) The five features of Consumer Protection Act are:

1. Social welfare law: It is created for social welfare and acclaimed as the Magna Carta of Indian consumers. This is a unique law which directly pertains to consumers in the market place and seeks to redress complaints arising therefrom.

2. Simple and inexpensive: The redressal machinery is to observe the principles of natural justice. Therefore it doesn't encompass with elaborate procedures and no court fee is to be paid by the complainant. It is not obligatory to engage an advocate. The complainant can write his grievance on a simple paper along with the name and address of the opposite party against whom the complaint is raised.

3. Time Frame: The Consumer Protection Act lays down time limits for the disposal of cases for speedy redressal of grievances.

4. Class Action: The Act allows filing of class action complaints on behalf of groups of consumers who are having common interests.

5. Covers goods and services: The Act covers both goods and services rendered for exchange value by any person or organisation including public sector undertakings and Government agencies, telecom and housing construction and all modes of transactions. However, any service rendered at a free of cost is not included in this Act. All private, public and cooperative sectors are covered under this Act.

(ii) (a) This principle applies when the insured takes more than one insurance policy for the same subject matter from different insurance companies. It is applicable when the following conditions are satisfied. (a) insured must be the same person (b) all the policies must cover the same risk (c) all the policies must be in force at the time of loss (d) the total amount of compensation under all policies must not exceed the amount of loss. Example – A property worth Rs. 5 Lakhs is insured with Company A for Rs. 3 lakhs and with company B for Rs.1

lakhs. The owner in case of damage to the property for 3 lakhs can claim the full amount from Company A but then he cannot claim any amount from Company B. Now, Company A can claim the proportional amount reimbursed value from Company B.

(b) Preference shares provide the shareholders with the special right to claim dividends during the lifetime of the company, and even with the option to claim repayment of capital, at the time of the winding up of the company. It is a hybrid form of security as it includes the traits of both debt and equity investments. The capital raised by issuing preference shares is known as preference share capital and preference shareholders can be regarded as owners of the company. They however do not enjoy any kind of voting rights, unlike equity shareholders.

Question 7

(a) Two merits of water transport

(i) Low cost: Water transport is the cheapest and oldest mode of transport. No capital is required to construct and maintain the tracks as rivers and oceans are natural tracks. Moreover, the fuel cost is low due to the force of water and smooth surface at the sea.

(ii) Large capacity: A ship has a large carrying capacity and therefore, water transport is extremely suitable for heavy cargo. Bulky and heavy goods like coal, iron ore, timber, etc., can be carried over long distance.

(b) Three demerits of water transport:

(i) Slow speed: Water transport is relatively slow. The speed of vessels is limited and water transport is not suitable for goods requiring quick delivery over short distances.

(ii) Round about: The distance between places increases because the routes followed by water transport may be quite circuitous.

(iii) Sea perils: Perils of the sea involve risk of loss during transportation. There is also risk of pilferage of cargo in the absence of proper packing.

(ii) (a) The three retirement schemes pertaining to Mr. Rihan's plan are Provident fund, Gratuity, and National Pension Scheme.

(b) The concept of social security is an essential component of Government policy that has been established with an aim to protect employees from financial hardships includes unemployment, serious illness, construction work, buying a house, medical expense and so on. Since there are very few certainties in life, it's crucial for the organisations to take the necessary steps to secure their employees from financial perspectives. One of the top ways to do this is to guide their employees to invest in lucrative retirement planning so that they reap the benefits at the right time at the right age without any delay.

Question 8

(i) The five benefits of e-commerce over traditional commerce are:

(1) Global reach/Global choice: The boundaries of e-commerce are not defined by national borders but rather by the coverage of computer networks. Even small suppliers are able to reach global level and conduct business across due to the availability of wide internet coverage. Therefore, access to global market helps the suppliers to improve their business operations.

(2) Mass customization/Personalised products and services: Suppliers are enabled to gather detailed information on the needs of every customer and tailor products and services accordingly. This result in customised products comparable to those offered by specialised suppliers, but at mass market prices. Example: online magazine is tailored as per the customer request.

(3) Convenience: Internet transactions can be made 24 hours, 7 days a week and 365 days a year. One can access anything from anywhere at any time. Such flexibility provides great convenience to sellers, buyers, and employees.

(4)Paper society: E-business reduces dependence on paperwork and red tape. Government can grant licenses and approvals without much paperwork.

(5)Lower investment: Even a small business can be established over the internet with less capital investment. A small firm can avail the same kind of benefits which are available to big business. In e-business, networked firms are working efficiently than networked firms.

(ii) (a) Target rate of return is a long term objective as it aims to secure a sufficient return on capital employed after covering costs of production and distribution. It does not lead to public criticism. It is used to evaluate and compare the performance of various products of the firm. It set as a guideline to measure the improvement in the new product line. Hence, the rate of return differs from firm to firm depending upon the cost of capital and the market conditions in the industry.

(b) This Module is used to track the stock of items here the items are assigned with a unique serial number. With the help of the unique numbers it is easy to track its location in the organisation. It includes the functionalities like inventory control, master units, stock utilization, etc. It can be integrated with purchase module.

Question 9

(i) The Environmental Protection Act empowers the government to take all necessary measures in order to protect the environment from various hazards. The five features of environmental protection act are:

(1)Under the law, it can coordinate and execute nationwide programmes and plans to further environmental protection.

(2)It can mandate environmental quality standards, particularly those concerning the emission or discharge of environmental pollutants.

(3)This law can impose restrictions on the location of industries.

(4)The law gives the government the power of entry for examination, testing of equipment and other purposes and power to analyse the sample of air, water, soil or any other substance from any place.

(5)The EPA explicitly bars the discharge of environmental pollutants in excess of prescribed regulatory standards.

(ii) (a) Life insurance is not a contract of indemnity because sum assured is always payable and only the time of payment is uncertain. Therefore, life insurance is also called 'life assurance'. In this a person has insurable interest in his life as well as in the life of his/her spouse or any other person on whom he is dependent or whose death would cause a pecuniary loss. Example: A creditor has insurable interest in the life of his debtor until the loan is repaid.

(b) This scheme was established by the Central Government for employees. Every employee is entitled to become member of the scheme after completing three months of continuous service. The employee and employer contribute every month ten per cent of the basic wages. The contributions are invested in specified investments and the accumulated amount to an employee is payable on retirement, death or at the time of service. Employees are also entitled to receive the amount in advance for the purpose of marriage of depends, serious illness and so on.

Question 10:

Dr.

Cr.

Trading account of Mr. Pran for the year ending 31st March, 2019			
Particulars	Amount	Particulars	Amount
To Opening stock	60,000	By Sales	2,55,000
To Purchase	1,75,000	(-)Return inwards	2,000
(-)Return outwards	1,250	By Closing stock	90,000
To Carriage inwards	1,850		
To Factory electric power	5,000		
To Fuel, gas and water	4,500		
To Gross profit (transferred to profit & loss account)	97,900		
Total	3,43,000	Total	3,43,000

Profit and Loss Account for the year ended on 31st March, 2019			
Particulars	Amount	Particulars	Amount
To Carriage outwards	1,200	By Gross profit Transferred from Trading a/c	97,900
To Bad debts	500	By Discount received	1,500
To Dock charges	3,000		
To Selling commission	5,000		
To Salary	16,000		
To Motor repairs	2,000		
To General expenses	9,400		
To Interest on bank loan	600		
To Rent and insurance	1,200		
To Net profit (transferred to Balance sheet)	60,500		
Total	99,400	Total	99,400

Balance Sheet as on 31st March, 2019			
Liabilities	Amount	Assets	Amount
Capital	1, 70,000	Cash in hand	2,000
(-) Household (drawings)	10,000	Cash at bank	13,000
	1,60,000	Sundry debtors	40,000
(+) Net profit	60,500	Business premises	80,000
Sundry creditors	23,500	Motor vehicles	18,000
Bank loan	4,000	Office furniture	5,000
		Closing stock	90,900
	2,48,000		2,48,900