ICSE Class 10 Commercial Studies Specimen Paper 1

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Maximum Marks: 80 | Time Allowed: Two hours | Reading Time: 15 minutes

Section A is compulsory. Attempt any four questions from Section B.

General Instructions

Write your answers on the separate answer paper provided. The first 15 minutes are for reading the paper, and you may not write during that time. Marks for each question, or part of a question, are shown in brackets. Answer in your own words and keep to the point. Where a question asks you to distinguish between two things, set the points of difference against each other rather than describing each separately.

SECTION A (40 Marks)

Attempt all questions from this Section.

Question 1 [15]

Choose the correct answer for each part. Write only the option you choose.

(i) A person who owns a part of a company and receives a share of its profit as dividend is a:

(a) creditor (b) shareholder (c) supplier (d) debenture holder

(ii) The stakeholder who lends money to a company and is paid a fixed rate of interest is the:

(a) shareholder (b) customer (c) employee (d) debenture holder

(iii) The four elements of the marketing mix are product, price, place and:

(a) promotion (b) profit (c) packaging (d) purchase

(iv) A brand name is given legal protection by registering it as a:

(a) patent (b) copyright (c) trademark (d) licence

(v) The capital used to meet the day to day running expenses of a business is called:

(a) fixed capital (b) working capital (c) owned capital (d) borrowed capital

(vi) The statement that shows the financial position of a business on a particular date is the:

(a) trading account (b) profit and loss account (c) balance sheet (d) cash book

(vii) Gross profit is arrived at by deducting from net sales the:

(a) indirect expenses (b) tax payable (c) salaries of office staff (d) cost of goods sold

(viii) The process of attracting a pool of candidates to apply for a vacancy is called:

(a) recruitment (b) selection (c) induction (d) appraisal

(ix) Training given to a worker at the workplace while the actual job is being done is called:

(a) vestibule training (b) off the job training (c) on the job training (d) refresher training

(x) The function of logistics concerned with holding goods safely until they are wanted is:

(a) transport (b) warehousing (c) packaging (d) insurance

(xi) The mode best suited to carrying heavy and bulky goods over long distances within the country at a low cost is:

(a) the railways (b) air transport (c) road transport (d) coastal shipping

(xii) An account on which there is no limit to the number of withdrawals by cheque, usually kept by a business, is a:

(a) savings account (b) fixed deposit account (c) recurring deposit account (d) current account

(xiii) The payment of a crossed cheque can be obtained:

(a) in cash over the counter (b) only through a bank account

(c) by anyone who holds it (d) only by the drawer himself

(xiv) The national campaign of the Government of India concerned with cleanliness and sanitation is:

(a) Make in India (b) Digital India (c) Swachh Bharat Abhiyan (d) Skill India

(xv) The three Rs of waste management are reduce, reuse and:

(a) recycle (b) remove (c) refuse (d) restore

Question 2 [10]

(i) State any two rights of a consumer. **[2]**

(ii) Name two sources of short term finance available to a business. **[2]**

(iii) State the difference between recruitment and selection. **[2]**

(iv) State two functions performed by the packaging of a product. **[2]**

(v) Name two kinds of deposit account offered by a commercial bank. **[2]**

Question 3 [15]

(i) Explain the term stakeholder. Name two internal and one external stakeholder of a company. **[3]**

(ii) State three factors a trader would weigh in choosing a mode of transport for goods. **[3]**

(iii) State three differences between a trading account and a profit and loss account. **[3]**

(iv) Explain the term market segmentation and state two bases on which a market may be segmented. **[3]**

(v) Explain the term carbon footprint and state two ways in which a business can reduce its own. **[3]**

SECTION B (40 Marks)

Attempt any four questions from this Section.

Question 4 [10]

(a) Explain the term stakeholder and distinguish between an internal and an external stakeholder. **[3]**

(b) Explain the interest that each of the following has in the working of a company: the shareholders, the employees, the government. **[3]**

(c) Explain what is meant by corporate social responsibility and state three ways in which a manufacturing company can discharge it. **[4]**

Question 5 [10]

(a) Define marketing. State two ways in which marketing differs from selling. **[3]**

(b) Explain the four elements of the marketing mix. **[3]**

(c) Explain any four methods of sales promotion used by a retailer, giving one example of each. **[4]**

Question 6 [10]

(a) Distinguish between fixed capital and working capital, giving one example of the use to which each is put. **[3]**

(b) Explain any three sources of long term finance available to a company. **[3]**

(c) Explain the purpose of a trading account, a profit and loss account and a balance sheet, and name one item that would appear in each. **[4]**

Question 7 [10]

(a) Explain the term human resource management and state two of its functions. **[3]**

(b) Distinguish between recruitment and selection, and name two internal sources of recruitment. **[3]**

(c) Explain why a business trains its workers. Distinguish between on the job and off the job training, giving one example of each. **[4]**

Question 8 [10]

(a) Explain the term logistics and name two of its main components. [3]

(b) Explain three functions performed by a warehouse. [3]

(c) Compare rail, road and air transport with reference to cost, speed and the kind of goods each is best suited to carry. [4]

Question 9 [10]

(a) State three functions of a commercial bank. [3]

(b) Distinguish between a savings account, a current account and a fixed deposit account. [3]

(c) Explain any two initiatives taken by the Government of India for the protection of the environment, and state two steps a business can take to cut down the pollution it causes. [4]

ANSWER KEY AND MARKING SCHEME

Marks shown in italics are the step marks an examiner would award. Accept any correct alternative wording, and accept a relevant example drawn from the candidate's own experience where the question asks for one.

Question 1 [15]

(i) (b) shareholder. A shareholder owns a part of the capital of the company and receives dividend out of its profit.

(ii) (d) debenture holder. A debenture is a loan to the company, so the holder is a creditor paid a fixed rate of interest whether or not there is a profit.

(iii) (a) promotion.

(iv) (c) trademark.

(v) (b) working capital.

(vi) (c) balance sheet. It is drawn up as on a particular date, while the other statements cover a period.

(vii) (d) cost of goods sold. Gross profit is net sales less the cost of the goods that were sold.

(viii) (a) recruitment. Selection comes later and narrows the pool down to one candidate.

(ix) (c) on the job training.

(x) (b) warehousing.

(xi) (a) the railways.

(xii) (d) current account.

(xiii) (b) only through a bank account. Crossing is a direction to the paying bank not to pay over the counter, which makes the cheque safer.

(xiv) (c) Swachh Bharat Abhiyan.

(xv) (a) recycle.

1 mark for each correct option. No marks are deducted for a wrong option.

Question 2 [10]

(i) Any two of: the right to safety, the right to be informed, the right to choose, the right to be heard, the right to seek redressal, and the right to consumer education.

1 mark for each right, maximum 2.

(ii) Any two of: trade credit from suppliers, a bank overdraft, a cash credit arrangement, the discounting of bills of exchange, and short term public deposits.

1 mark for each source, maximum 2.

(iii) Recruitment is the positive process of searching for candidates and encouraging as many suitable people as possible to apply for a vacancy. Selection is the negative process that follows, in which the applicants are tested and interviewed and all but the most suitable are rejected.

Recruitment 1. Selection 1.

(iv) Packaging protects the goods from damage, moisture, dust and pilferage while they are stored and carried. It also identifies the product and carries the brand name and the information the buyer needs, and it makes the goods easier to handle, stack and sell in convenient quantities.

1 mark for each function, maximum 2.

(v) Any two of: savings account, current account, fixed deposit account and recurring deposit account.

1 mark for each, maximum 2.

Question 3 [15]

(i) A stakeholder is any person or group that has an interest in a business and is affected by the way it is run, or who can in turn affect it. Internal stakeholders include the owners or shareholders, the managers and the employees. External stakeholders include the customers, the suppliers, the creditors, the government and the community in which the business works.

Explanation 1. Two internal 1. One external 1.

(ii) The nature of the goods, since perishable or fragile goods need a quick and gentle mode. The cost of carriage set against the value of the goods, since a low value bulky cargo cannot bear a high freight. The distance and the urgency, since a long haul inland suits rail while an urgent consignment suits air. The safety of the goods and the availability of the route are also accepted.

1 mark for each factor with its reason, maximum 3.

(iii) The trading account is prepared first and the profit and loss account afterwards, taking the result of the trading account as its starting figure. The trading account records only the direct expenses of buying and making goods, while the profit and loss account records the indirect expenses of running the business, such as salaries, rent and advertising. The trading account ends in gross profit or gross loss, while the profit and loss account ends in net profit or net loss.

1 mark for each difference.

(iv) Market segmentation is the dividing of a whole market into smaller groups of buyers, each group having needs, habits or circumstances enough alike that it can be served by one marketing effort. A market may be segmented on a geographical basis, such as rural and urban or region by region; on a demographic basis, such as age, sex, income or occupation; or on the basis of the buyer's lifestyle or buying behaviour.

Explanation 1. Two bases 2.

(v) The carbon footprint of a business is the total quantity of greenhouse gases, counted as carbon dioxide, released into the atmosphere as a result of everything it does, from running its factory and offices to moving its goods. A business can reduce it by shifting to solar or other renewable power, by using fuel efficient vehicles and planning delivery routes so that fewer trips are made, by cutting waste and recycling its materials, and by reducing travel through online meetings.

Explanation 1. 1 mark for each way, maximum 2.

Question 4 [10]

(a) A stakeholder is any person or group having an interest in a business, who is affected by its decisions or who can affect them. An internal stakeholder is part of the organisation itself and works within it, such as an owner, a manager or an employee, and is usually affected directly and at once by what the business does. An external stakeholder stands outside the organisation but still has a stake in it, such as a customer, a supplier, a creditor, the government or the local community.

Explanation of stakeholder 1. Internal with an example 1. External with an example 1.

(b) Shareholders have put their money into the company and look for a steady dividend, a rise in the value of their shares and the safe management of their investment. Employees depend on the business for their livelihood and look for fair wages, job security, safe working conditions and a chance of promotion. The government looks to the business for tax revenue, for the employment it creates, and for obedience to the law on wages, safety, environmental standards and fair trading.

1 mark for each stakeholder with its interest.

(c) Corporate social responsibility is the duty a business owes to society beyond the earning of profit, by which it takes into account the effect of its decisions on its workers, its customers, the community and the environment, and acts for their good of its own accord. A manufacturing company can discharge it by treating its effluent and controlling its emissions so that the air and water round the plant are not fouled; by paying fair wages and keeping the factory safe and free of child labour; by giving honest information about its products and not misleading the buyer; and by spending on schools, health care, drinking water or skill training in the area where it works.

Explanation 1. 1 mark for each way, maximum 3.

Question 5 [10]

(a) Marketing is the whole set of activities by which a business finds out what the customer wants, and then plans, prices, promotes and distributes goods and services so as to satisfy that want at a profit. Marketing begins before the product is made and starts from the needs of the customer, while selling begins after the product is ready and starts from the needs of the seller. Marketing aims at lasting satisfaction and a customer who returns, while selling aims at turning the stock into cash.

Definition 1. Two differences 2.

(b) Product: the goods or service offered, together with its quality, design, brand name, packaging and after sales service. Price: the amount charged, fixed after weighing cost, the prices of rivals, the demand and the kind of buyer aimed at. Place: the channel by which the product reaches the buyer, covering wholesalers, retailers, transport and storage, so that it is available where and when it is wanted. Promotion: the means by which the buyer is told about the product and persuaded to buy it, such as advertising, sales promotion, personal selling and publicity.

Product and price 1. Place 1. Promotion 1.

(c) Free samples, in which a small quantity is given away so that the buyer may try it, as with a sachet of shampoo. Price off or discount offers, in which the price is cut for a short period, as in an end of season sale. Premium or free gift offers, in which something is given along with the purchase, as with a toy inside a pack of a breakfast cereal. Coupons and exchange offers, in which the buyer is given a voucher against a future purchase or an allowance on an old article exchanged for a new one. Contests and lucky draws, in which buyers compete for a prize, are also accepted.

1 mark for each method with an example, maximum 4.

Question 6 [10]

(a) Fixed capital is the money sunk in assets that the business keeps and uses for a long time and does not mean to resell, such as land, a factory building, machinery or delivery vans. Working capital is the money needed to carry on the day to day work of the business and is used up and replaced again and again, such as the money held to buy raw material, to pay wages and electricity bills, and to allow credit to customers. Fixed capital is raised from long term sources while working capital is usually met from short term ones.

Fixed capital with an example 1. Working capital with an example 1. One further point of difference 1.

(b) Equity shares, on which the company pays dividend only when it earns a profit and which carry no obligation to repay, so the money stays with the company permanently. Preference shares, which carry a fixed rate of dividend paid before the equity shareholders are paid and which have a prior claim in a winding up. Debentures, which are a long term loan to the company carrying a fixed rate of interest that must be paid whether or not there is a profit, and which are repaid on a fixed date. Retained earnings, that is profit ploughed back into the business instead of being distributed, and long term loans from banks and financial institutions are also accepted.

1 mark for each source correctly explained, maximum 3.

(c) The trading account is prepared to find the gross profit or gross loss, by setting the net sales against the cost of the goods sold; opening stock, purchases, carriage inwards and wages are items that appear in it. The profit and loss account is prepared to find the net profit or net loss, by charging the indirect expenses of running the business against the gross profit and adding any other income; salaries, rent, advertising and depreciation appear in it. The balance sheet is not an account at all but a statement drawn up on a given date to show the financial position of the business, listing what it owns against what it owes; capital, creditors and bank loans appear on the liabilities side and machinery, stock, debtors and cash on the assets side.

Trading account with an item 1.5. Profit and loss account with an item 1.5. Balance sheet with an item 1.

Question 7 [10]

(a) Human resource management is that part of management which is concerned with the people who work in the organisation, from finding and appointing them to training, paying, motivating and keeping them, so that the business obtains the best work its staff can give while the staff themselves grow. Its functions include manpower planning, recruitment and selection, training and development, deciding wages and other rewards, appraising performance, and looking after welfare and industrial relations.

Explanation 1. 1 mark for each function, maximum 2.

(b) Recruitment searches for candidates and invites applications, so it widens the field and is called a positive process. Selection sifts the applicants through tests and interviews and rejects the unsuitable, so it narrows the field and is called a negative process. Recruitment comes first and selection follows from the pool it has gathered. Internal sources of recruitment include the promotion of an existing employee to a higher post, the

transfer of an employee from another department or branch, and the recommendation of candidates by present employees.

Two points of difference 2. Two internal sources 1.

(c) Training is needed because a new worker does not know the ways of the firm, because methods and machines change and the staff must keep pace, and because a trained worker produces more, wastes less material, has fewer accidents and needs less supervision. On the job training is given at the actual place of work while the employee does the job, learning under a senior, as when a new machine operator works beside an experienced one. Off the job training is given away from the place of work, in a classroom or training centre, so that the learner may take in the theory without the pressure of production, as in a lecture course or a workshop on safety.

Need for training 1.5. On the job with an example 1.25. Off the job with an example 1.25.

Question 8 [10]

(a) Logistics is the management of the flow of goods from the point where they are produced to the point where they are consumed, so that the right goods reach the right place at the right time, in good condition and at the lowest reasonable cost. Its main components are transport, warehousing and storage, packaging, material handling, inventory control and the handling of orders.

Explanation 2. Two components 1.

(b) A warehouse holds goods safely from the time they are produced until the time they are wanted, so production can go on steadily even when demand is seasonal. It evens out price, because goods can be held back when supply is heavy and released when it is short. It protects the goods from heat, damp, dust and theft, and cold storage keeps perishables fit for use. A warehouse also acts as a point for grading, packing, labelling and dispatch, and the receipt it issues can be used by the owner as security to raise a loan.

1 mark for each function, maximum 3.

(c) Rail transport is cheap for a long inland haul, moderate in speed, and best suited to heavy and bulky goods carried in quantity, such as coal, cement, food grain and steel. Road transport costs more per tonne over a long distance but is flexible and gives door to door delivery, and it suits goods carried over short and medium distances and the final leg of any journey. Air transport is by far the dearest and by far the fastest, and it suits goods that are light, of high value, urgently wanted or quick to perish, such as medicines, cut flowers and spare parts needed at once.

Rail 1.5. Road 1.25. Air 1.25.

Question 9 [10]

(a) A commercial bank accepts deposits from the public in savings, current, fixed and recurring accounts. It lends money through loans, cash credit, overdraft and the discounting of bills. It transfers money on behalf of customers by cheque, demand draft and electronic transfer, and it offers agency and general services such as the collection of cheques, the payment of bills by standing instruction, locker facilities and the sale of foreign exchange.

1 mark for each function, maximum 3.

(b) A savings account is meant for ordinary individuals who wish to put by small amounts, it earns a modest rate of interest and the bank may place a limit on the number of withdrawals. A current account is meant for businesses that pay and receive money many times a day, there is no limit on withdrawals, an overdraft can be arranged, and it usually earns no interest. A fixed deposit account takes a lump sum for a stated period, it carries the highest rate of interest of the three, and the money cannot ordinarily be drawn before the period is over without losing part of the interest.

1 mark for each account correctly distinguished.

(c) Swachh Bharat Abhiyan is a national cleanliness drive that works to end open defecation, build household and public toilets and improve the collection and treatment of solid waste in towns and villages. The National Clean Air Programme sets out to cut the level of fine particulate matter in the worst affected cities by monitoring air quality and acting on industry, vehicles, construction dust and the burning of waste. The Namami Gange programme for cleaning and conserving the river Ganga, and the Ujjwala scheme supplying

clean cooking gas to poor rural households in place of firewood, are equally acceptable. A business can cut its own pollution by treating its effluent before it is let out and recycling the water it uses, and by installing scrubbers or electrostatic precipitators on its chimneys, shifting to renewable power and cutting waste at source.

1 mark for each government initiative, maximum 2. 1 mark for each step by the business, maximum 2.