

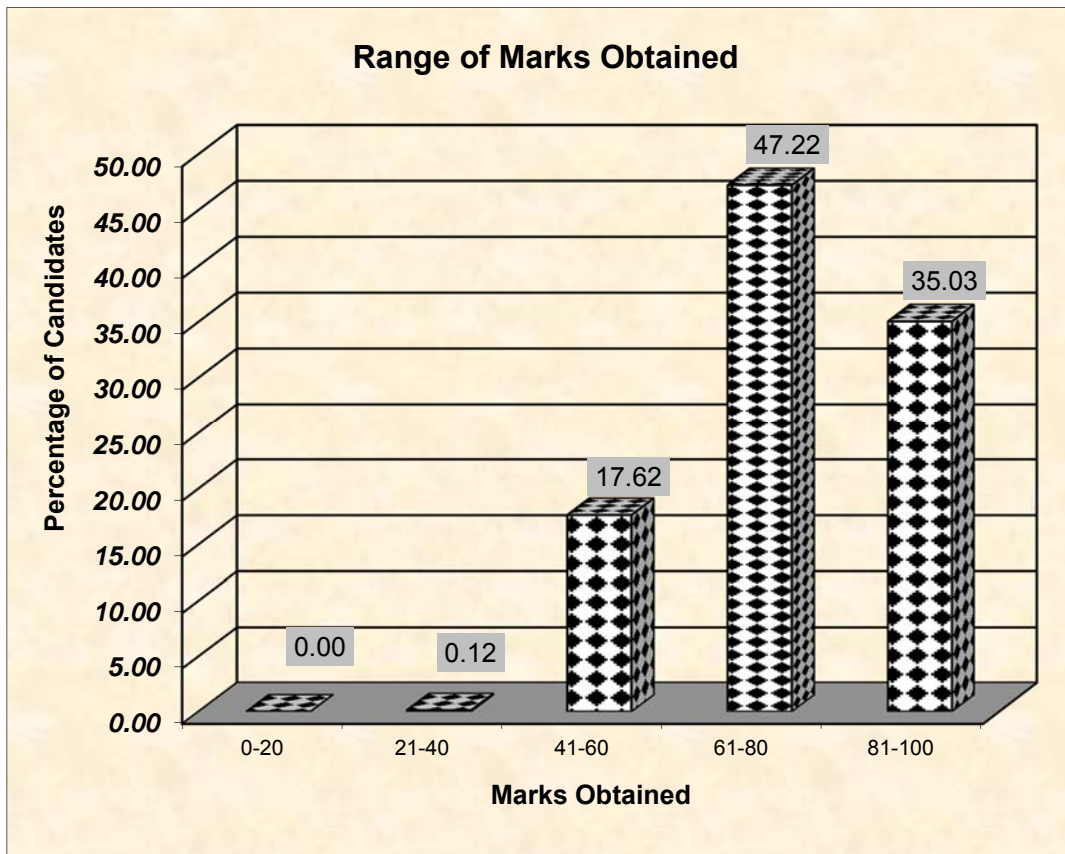
## COMMERCIAL APPLICATIONS

### STATISTICS AT A GLANCE

Total Number of students who took the examination	12,579
Highest Marks Obtained	100
Lowest Marks Obtained	25
Mean Marks Obtained	75.37

### Percentage of Candidates according to marks obtained

Details	Mark Range				
	0-20	21-40	41-60	61-80	81-100
Number of Candidates	0	15	2217	5940	4407
Percentage of Candidates	0.00	0.12	17.62	47.22	35.03
Cumulative Number	0	15	2232	8172	12579
Cumulative Percentage	0.00	0.12	17.74	64.97	100.00



## COMMERCIAL APPLICATIONS

### ANALYSIS OF PERFORMANCE

#### Question 1

Give one difference between each of the following:

- (a) *Recruitment* and *Selection*. [2]
- (b) *Receipt* and *Income*. [2]
- (c) *Cash Credit* and *Loan*. [2]
- (d) *Apprenticeship* and *Internship*. [2]
- (e) *Capital Market* and *Money Market*. [2]

#### Examiners' Comments

- (a) Most candidates answered this question correctly.
- (b) Most candidates misinterpreted receipt with income and wrote incorrect answers.
- (c) Most candidates answered this question incorrectly with the concept of cash credit and loan not clearly being understood by most candidates.
- (d) Most candidates misinterpreted the concepts of Apprenticeship and Internship and wrote incorrect answers.
- (e) Most candidates answered this question correctly.

#### Suggestions for teachers

- Students must be trained to write the correct points of distinction.
- A proper explanation of the term 'receipts' with examples and 'income' with examples will make concepts clear.
- Instruct students to write differences with the same point of distinction. Make concepts clear with examples.
- Instruct students to read the question carefully and to write precise answers.
- Provide practical knowledge as far as possible, to students.

### MARKING SCHEME

#### Question 1.

Give one difference between each of the following:

- a) Recruitment and a Selection

<b>Recruitment</b>	<b>Selection</b>
Process of searching and identifying employees and encouraging them to apply for jobs.	It involves in comparing and choosing suitable candidates.

b) Receipt and Income	
<b>Receipt</b>	<b>Income</b>
It is cash received by a business from various sources. It may relate to the past, present or current year. It includes both revenue and capital items.	It means the money earned by the firm.  It is related only to the current year. It includes only revenue items.
c) Cash Credit and Loan	
<b>Cash credit</b>	<b>Loan</b>
The bank advances cash to the account holder. He can withdraw up to his cash credit limit. Interest is charged on the amount actually withdrawn and not on the amount granted.	The bank advances a fixed amount to the borrower, who may withdraw the whole amount at once or as per the needs, but interest is charged on the entire amount.
d) Apprenticeship and Internship	
<b>Apprenticeship</b>	<b>Internship</b>
On-the-Job Training used in technical trades and crafts like carpentry, electrician, jeweler, etc. in which a long period (2 to 7 years) is required to become proficient.	Off-the-Job Training used in medicine, accountancy and law in which trainees are given theoretical instructions in technical institutions and then they receive practical training in factories and offices.
e) Capital Market and Money Market	
<b>Capital Market</b>	<b>Money Market</b>
Long-term finance provided. Eg. Financial institutions, stock exchange, insurance companies, investment trusts.	Short-term finance provided. Eg. Various types of banks.

## Question 2

- (a) Briefly explain how tourism can also lead to destruction of the eco system. [2]
- (b) Describe any *two* qualities that a salesman selling LCD Televisions should possess. [2]
- (c) Mention any *four* methods of sales promotion. [2]
- (d) What are *fictitious assets*? Give an example. [2]
- (e) Mention any *two* agency functions/services of a Commercial Bank. [2]

### Examiners' Comments

- (a) Most candidates answered this question correctly.
- (b) This question was correctly answered by most candidates.
- (c) Most candidates answered this question correctly.
- (d) Most candidates were unable to answer it correctly. Some candidates mixed it with other types of fixed assets.
- (e) Most candidates were unable to answer it correctly. Some candidates wrote about the Primary functions of Commercial banks instead of its Agency functions as was suggested by the question.

### Suggestions for teachers

- To avoid confusion explain concepts with the help of examples.
- Teach students to be specific in writing answers.
- Emphasise on key words while explaining topics.
- A clear explanation of concepts must be undertaken to facilitate a better understanding.
- Instruct students to read the question carefully before making attempts to answer. A broader understanding of agency functions with examples will bring clarity to concepts.

## **MARKING SCHEME**

### **Question 2**

- a) **Tourism destruct ecosystem.** (Any two)
- Tourism facilities developed in those areas which have rich natural resources.
  - Boarding facilities developed for tourists spoil the eco system.
  - Opening up sanctuaries and recreation facilities cause loss of habitats and fresh water system.
- b) **Qualities of a Salesman:** (Any two)
- **Good Physique:** A good salesman must have sound health, good appearance, and an impressive voice.
  - **Cheerful:** Pleasing manners, a smiling face and a cheerful disposition are necessary for a successful salesman.
  - **Courteous:** He should be polite and never rude. Must not be irritable
  - **Sincere:** A good salesman is always loyal and committed to his work.
  - **Sensitive:** A successful salesman is a good listener and has patience.
  - **Knowledgeable:** A good salesman should have adequate and up-to-date knowledge about his firm, product, market, competitors and customers.
  - **Sound Memory:** Keen observation, alert mind, sharp memory and ability to judge people are necessary for a successful salesman.
- c) **Four methods of sales promotion:**
- 1) Trading stamps
  - 2) Premium offer
  - 3) Prize contest
  - 4) Samples
  - 5) Coupons
  - 6) Exchange offer
  - 7) Fairs and exhibitions
- (Any four)
- d) **Fictitious assets:** They have no value. They are the expenses and losses not written off.

E.g. Good will, patents and copyright, etc.

- e) **Agency functions** of a commercial bank:  
Collecting Receipts, Making Payments, Buy and Sell Securities, Trustees and Executors

### Question 3

- (a) Briefly explain the term 'Marketing Oriented Stage'. [2]  
(b) Mention any *two* effects of crossing a cheque. [2]  
(c) Explain in brief *Moral Suasion* as a tool of credit control. [2]  
(d) What is meant by *concept advertising*? [2]  
(e) State *one* advantage and *one* drawback each of using nuclear power as a form of energy. [2]

#### Examiners' Comments

- (a) Most candidates answered this question correctly.  
(b) The question was answered correctly by most candidates.  
(c) Most candidates were unable to answer this question correctly.  
(d) Most candidates were unable to answer this question correctly.  
(e) Most candidates wrote the advantages but were unable to write the disadvantages.

#### Suggestions for teachers

- Advise students to be careful and specific while writing answers.
- A proper explanation with appropriate examples must be given.
- Practical examples will ensure a thorough understanding of the concept.
- Advise students to read the question carefully before making attempts to answer.

### MARKING SCHEME

#### Question 3.

- a) Consumer awareness forced the producers to promote marketing. The aim of marketing should be to know and understand the customer so well that the product or service fits him or her and thus sells itself.
- b) Effects of crossing a cheque: Crossed cheques can be encashed only through a bank account not across the counter.
- c) **Moral Suasion:** Central bank requests and persuades the commercial banks not to grant credit for speculative and non-essential activities. The central bank may also issue directives to commercial banks to refrain from certain types of lending. (Any one)
- d) Concept Advertising: is used when a new product is introduced. To educate the people how the product will change the life style. E.g. Advertisements for smart phones. (Any point)
- e) **Nuclear power:**

**Advantages:**

- Clean source of energy
- Do not emit greenhouse gases
- Does not cause acid rain or smog
- Tremendous energy generated from small amounts of raw material

**Disadvantages:**

- Risk of accident or leakage in the nuclear power plant
- Creates radioactive wastes which is harmful.

**Question 4**

Justify either *for* or *against* by citing *two* reasons for each of the following:

- (a) Vestibule training is better than on-the-job training. [2]
- (b) Skimming pricing policy is ideal for introducing a product in the FMCG sector. [2]
- (c) Closing stock is always valued at market price. [2]
- (d) All membership fees collected by a non-trading concern must be entered in the assets side of the Balance Sheet. [2]
- (e) Abnormal costs are not recorded as part of production costs. [2]

**Examiners' Comments**

- (a) Most candidates were unable to justify the concept and wrote vague and incorrect answers.
- (b) Most candidates were unable to answer this question correctly and hence were unable to justify the concept.
- (c) Most candidates were unable to understand the question and hence were unable to justify their answers.
- (d) Most candidates were not able to answer. They failed to give a proper justification.
- (e) Most of the candidates answered correctly.

**Suggestions for teachers**

- A proper explanation with appropriate examples must be given.
- To avoid confusion to students explain concepts with examples.
- Emphasise on key words while explaining.
- Explain accounts of non-trading accounts and Receipt and Payment Accounts with the Balance Sheet.
- Encourage an indepth study of the text.

**MARKING SCHEME****Question 4.**

Justify either *for* or *against* by giving two reasons for each of the following:

- a) **Correct:** in vestibule training,
- The trainee can concentrate on learning without any disturbances or noise.
  - It does not cause any damage to actual equipments.
  - Correct method can be taught by trained instructors.
  - It permits the trainee to practice without the fear of being ridiculed.

- Less accidents
- Incorrect:** vestibule training,
- It is very expensive.
  - It is artificial and the trainee may not get the feel of the actual job conditions.
- b) **Incorrect:**
- Penetrating Pricing is ideal as it involves setting a low price in the initial stage so as to make the brand quickly popular
  - and to maximize the market share.
  - The manufacturer seeks to sell to the masses.
  - Demand for the FMCG products is highly sensitive to price.
  - Economies of large scale production are available.
  - There is strong potential competition in the market.
  - Very few consumers are willing to pay a high price for FMCG products.
- c) **Incorrect:** Closing stock is valued at market price and cost price whichever is lower that is taken into account.
- d) **Incorrect:** All the membership fees collected by a non-trading concern must be entered in the liabilities side of the Balance Sheet. It is added to the Capital Fund.
- e) **Correct:** Abnormal costs are not normally incurred at a given level of output and therefore do not form part of the cost of production. They are charged to the Profit and Loss Account.

### Question 5

- (a) What is meant by the term ‘services’? Explain its main characteristics. [5]
- (b) Explain the role of branding in the Indian Industry. [5]
- (c) What is ‘Cost Plus’ Pricing Policy? State *two* advantages and *two* disadvantages of it. [5]

#### Examiners’ Comments

- (a) Most candidates answered the characteristics but failed to write a proper explanation.
- (b) Most candidates failed to answer this question correctly. Some candidates wrote the meaning of branding while others emphasised on only one point instead of writing different points.
- (c) Most candidates wrote the meaning correctly, however they were unable to write the advantages and disadvantages.

#### Suggestions for teachers

- Explain concepts with examples and ensure a thorough revision that will lead to a higher sense of understanding amongst students.
- To avoid confusion, explain the concept of branding with the help of examples so that students are able to understand the role of branding and develop a logical outlook.
- An indepth study of the text must be encouraged.

## MARKING SCHEME

### Question 5.

- a) **Service** means an intangible act or performance that can satisfy some human need. (E.g. Beauty parlour, dry cleaning, nursing home, courier firm, cinema theatre, auto repair workshop)  
Main characteristics of service:
- Intangibility:** Services are intangible as they cannot be seen or touched.
  - Perishability:** Services cannot be stored for future.
  - Inseparability:** Services are produced and consumed at the same time. The services cannot be separated from the service provider.
  - Variability:** Services can rarely be standardized or made uniform.
- b) **Role of branding in Indian Industry:** (Any five)
- Branding helps consumers to identify and recognize the product and reduces the time and effort involved in purchasing.
  - A producer can create brand loyalty by constantly repeating the brand name to the public.
  - Branding is the basis of advertising and other techniques of mass selling.
  - Branding helps to minimize selling costs by reducing dependence on middlemen.
  - Dealers are ready to handle branded products at lower margins.
  - Branding ensures uniform standards of quality and design to consumers.
  - Price of branded products is printed on the product.
  - Retailers cannot exploit consumers by overcharging.
  - Branded goods can be sold by description and they fetch better prices.
  - Branded products are packed which prevents adulteration.
- c) **Cost Plus Pricing Policy:**  
The selling price of a product must cover its full cost and yield a reasonable margin of profit. The margin is known as 'mark up' and, therefore, cost plus pricing is also known as '**mark up pricing**'.  
Rate of return on investment is a useful method of deciding the mark up.  
Selling price = Total cost per unit + Desired profit per unit.
- Advantages:**
- It is a safe approach to pricing. It ensures full coverage of costs;
  - It helps in achieving a reasonable return on capital employed;
  - It discourages cut-throat competition.
- Disadvantages:**
- It is difficult to determine accurately the cost per unit due to common overheads and joint products.
  - The method ignores the nature and level of demand.
  - It fails to reflect competition in the market.
  - May result in loss of business as the firm does not know how much a customer is willing to pay.
  - It presumes a fixed margin or profit. But in practice, businessmen increase the margin of profit when they expect good demand.



## Question 6

- (a) What does GAAP stand for? Explain 'Matching concept' of GAAP. [5]
- (b) Explain the following:
- (i) Material costs.
  - (ii) Semi-fixed costs. [5]
- (c) Explain any *five* functions of the RBI in context with the Indian economy. [5]

### Examiners' Comments

- (a) Most candidates were unable to understand the question and wrote irrelevant and incorrect answers.
- (b) Most candidates answered correctly.
- (c) Most candidates explained the tools of credit control instead of writing the functions of the Reserve Bank of India.

### Suggestions for teachers

- Advise students to read question carefully an indepth study of various concepts and to stress on key words of each concept will be beneficial.
- Concrete examples will help students to correlate it to the topics learnt.
- Avoid any confusion among students by explaining the functions with the help of a classification chart. Advise students to read questions carefully before answering.

## MARKING SCHEME

### Question 6

- a) The process of ascertaining the amount of profit or loss during a particular period involves matching the revenues and expenses of that period. The matching concept emphasizes this aspect. It states that expenses incurred in an accounting period should be matched with revenues during that period, rather than comparing cash received and cash payments. This concept requires proper allocation of costs into different accounting periods. So that relevant incomes and expenses are matched.
- b) Explain the following:
- i **Material cost:** It is the cost of the substances from which the product is made. E.g. Paper used in a book.
    - a. **Direct Material:** All material which become an integral part of the finished product and can be directly charged to the product. Any **raw material**, eg. Cloth in dress making; Primary packing material, eg. Bottle used in Pepsi

b. **Indirect Material:** Those material which cannot be directly assigned to the specific product. Eg. Oil, nails and grease.

ii. **Semi-fixed cost:** They are partly fixed and partly variable. They vary, but not in direct proportion to the change in level of production. Eg. The telephone bill includes a fixed rent and variable charges according to calls made.

c) **Functions of RBI:**

1. **Issue of Currency Notes:** Central Bank has a monopoly on issue of currency notes in the country, in order to maintain uniformity and avoid over-issue.
2. **Banker to Government:** Central Bank acts as banker, agent and advisor to the Govt. It receives and makes payments on behalf of Govt. and advises in monetary matters. It manages national debt. It represents Govt. in international conferences.
3. **Banker's Bank:** Commercial bank can obtain loans or rediscount bills from central bank. They are required to keep a cash reserve with central bank to control credit.
4. **Credit Control:** Central bank exercises both qualitative and quantitative control over credit granting capacity of commercial banks. This helps maintain stability of prices and foreign exchange.
5. **Custodian of Foreign Currency:** Central bank is the sole custodian of gold, foreign exchange and all other reserves of the country.  
The central bank advises the Govt. to impose restrictions on imports and encourage exports so as to keep the balance of payments in favour of the country.
6. **Maintenance of Exchange Rate:** The central bank tries to maintain a stable exchange rate to promote country's foreign trade and investment. It buys or sells foreign currencies to maintain the exchange rate.
7. **Clearing House Facility:** The central bank clears the claims of commercial banks through book entries. Daily balances between commercial banks can be easily adjusted by debit and credit entries in their accounts with the central bank. E.g. Bank of Baroda has to pay Rs.20 lakhs to SBI. The RBI will debit Bank of Baroda by Rs.20 lakhs and credit SBI account by the same amount.
8. **Development Functions:**
  - i Creating special financial institutions for agriculture, industry, transport and trade.
  - ii Ensuring balanced regional development.
  - iii Controlling prices.
9. **Collection and publication of data:**
  - i Central bank conducts surveys and publishes reports.
  - ii It provides training facilities to personnel of commercial banks.
  - iii It maintains relations with international financial institutions such as World Bank, IMF.

**Question 7**

- (a) Explain the *compensation* function of Human Resource Management. [5]
- (b) Explain 'Empathy' and 'Dialogue' as elements of Public Relations. [5]
- (c) Explain any *two* types of 'Employment Tests' conducted to select employees. [5]

### Examiners' Comments

- (a) Most candidates were unable to understand the question and wrote the other functions of Human Resource Management instead of writing on the compensation function as posed in the question.
- (b) Most candidates answered correctly.
- (c) Most candidates got confused and wrote the types of interviews conducted while selecting candidates instead.

### Suggestions for teachers

- Explain the various concepts with clarity so that students are clear with the concepts regular practice will help them to do better.
- Students should be taught with the help of examples which will improve in the understanding and learning process.
- Various types of test and their importance must be explained in detail and key words must be highlighted with examples for a better understanding.

## MARKING SCHEME

### Question 7.

- a) **Compensation** function of Human Resource Management:
  - 1) **Job Evaluation:** It is the process of determining the relative worth of a job.
  - 2) **Wage and Salary Administration:** It involves developing a suitable wage and salary programme for various jobs in the organization.
  - 3) **Bonus:** It involves payment of bonus and other incentives.
- b) **Empathy:** means looking at things and events from the other's point of view. It requires that the communicator be in tune with the communicate. Empathy involves seeing and feeling matters as others see and feel. It enables an executive to be sensitive and sympathetic to the attitudes, expectations and problems of his workers and clients.  
**Dialogue:** means a conversation between two persons with a purpose. In a civilized society, dialogue is the only weapon of reasoning and understanding. 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) **Types of Employment Tests:**
  - 1. Proficiency Tests:
    - Achievement tests
    - Dexterity tests
    - Intelligence tests
  - 2. Aptitude Tests:
    - Personality tests
    - Interest tests

(Explain any two)

### Question 8

- (a) In order to exercise their rights, consumers must make correct choices and fulfill certain duties. Enumerate *five* such responsibilities. [5]
- (b) With the help of examples, explain how consumption can be reduced by using the 5 'R's'. [5]
- (c) Write short notes on the:
- (i) Business Entity Concept of Accounting.
- (ii) Maturity stage of a 'Product Life Cycle'. [5]

#### Examiners' Comments

- (a) Most candidates did not write the duties of consumer but wrote the rights of the consumer instead.
- (b) Most candidates mentioned the 5 R's without offering any explanation.
- (c) Most of the candidates answered the question correctly.

#### Suggestions for teachers

- Give adequate practice to students in answering various types of questions posed in Examinations. Give examples of day to day situations.
- Discuss the rights along with duties of consumers by giving examples so that concepts are clear.
- Advise students to read questions carefully before answering and encourage an indepth study of the text and to provide students with a thorough knowledge.

### MARKING SCHEME

#### Question 8.

- a) **Duties of Consumers:** (Any five)
- Check quality of goods
  - Insist on warranty cards
  - Buy standard goods with ISI, AGMARK and other quality certifications
  - Buy reliable brands from standard companies
  - Before buying note manufacturing date, expiry date and price
  - Study label carefully to get complete details of product
  - Ask for cashmemo /bill for goods purchased
  - Form consumer associations to create awareness
  - Make complaints for genuine grievances
  - Take help of consumer forums to seek redressal of grievances

- Consumer must know and exercise their rights

b) **5 'R's**

(Any five)

- 1) **Reduce**: minimize consumption of goods and services. E.g. switch off appliances when not in use, use less plastic
- 2) **Refuse**: not buy unnecessary goods and services. E.g. not take polythene bags by carrying cloth bags for shopping
- 3) **Reuse**: this will reduce demand and save resources. E.g. reuse plastic and glass containers for storing, newspapers can be reused for covering or packing and making packets
- 4) **Recycle**: goods are used again in another form. Eg recycle used paper to save trees
- 5) **Repair**: this reduces need for new goods. Eg repair and use old furniture
- 6) **Replace**: replace old technology with new to save on resources. Eg outdated machine may be reducing productivity and guzzling power, replace plastic with cloth bag.

c) **Write short notes on:**

- i. **Business Entity Concept** of Accounting: A business firm is treated as a unit separate and distinct from its owners. Separate set of books is kept. The capital provided by the owner is treated as a liability of the firm. The concept of separate entity is necessary for ascertaining the true net profits and financial position of a business firm.
- ii. **Maturity stage of a 'Product Life Cycle'** – during this stage, sales continue to grow but at a decreasing rate and markets get stabilized. Falling prices will reduce profits. Producers attempt to differentiate products, and brands are key to this attempt. The market reaches saturation.

## Question 9

### Case Study

Harish Sharma and Surendra Doshi have decided to start a Private Limited Company to carry out repairs and renovation of buildings. They call their company 'S D Renovators (P) Ltd. Company'. For their investment in tools, equipment and office space they have decided to take a loan for 8 years. They also approach a bank to open an account in the name of the company.

They need a manager to oversee their operations efficiently. They place an advertisement in the newspaper for this purpose. They also need to hire a labour force for execution of repair work.

With reference to the above:

- (a) What type of account should be opened? Explain any *four* features of that Account. [5]
- (b) Explain any *two* external sources of recruitment that are required to hire labour. [5]
- (c) On receiving applications for the manager's post, describe the procedure to select the right candidate. [5]

### Examiners' Comments

- (a) Most candidates answered correctly, however a few seemed to have been confused in writing the features.
- (b) Most candidates answered the question correctly.
- (c) Most candidates answered the question correctly, however the sequence of the procedure was not answered accordingly, and was presented in a very disorganised manner.

### Suggestions for teachers

- Assign adequate practice on topics involving case studies. This will help students in learning more practically rather than thorough rote learning.
- Avoid confusion among students by explaining external sources of recruitment with examples which will make the concept clearer.
- Assign various case studies and instruct students to use their own thoughts and ideas and correlate it with related topics so that students are clear with concepts.

## **MARKING SCHEME**

### **Question 9**

- a) Harish and Surendra would open a **Current Account**.
  - It is opened by business firms.
  - The money can be deposited and withdrawn any number of times.
  - Overdraft facility is available.
  - No interest is paid on deposit, but bank make a small charge on current account.
- b) **Sources of Recruitment:** (Any five)
  - 1) **Advertisements:** Advertisements can be given in newspapers to attract candidates to apply for jobs.
  - 2) **Employment Exchanges:** They are run by Govt. Employers can seek a list of candidates for their job vacancies from the exchange.
  - 3) **Gate Hiring:** Workers gather at the factory gate after reading the notice of vacancies. Suitable candidates are selected.
  - 4) **Unsolicited applicants/Casual Callers:** A record of such applicants is maintained. When a vacancy arises, they may be contacted and considered for employment.
  - 5) **Recommendations:** Applicants could be recommended by existing employees, relatives, friends or the trade unions.
  - 6) **Jobbers and Contractors:** Jobbers and contractors are useful when workers are to be hired at short notice and without going through the usual selection procedure.
- c) **Procedure for Selection (Steps):** (Any five)
  - 1) **Preliminary Interview:** The job-seekers are received by the secretary who carries out a preliminary interview to determine whether the candidates are qualified to apply for the job.

- 2) **Application Form:** The candidates are asked to fill the prescribed application form, with information like name, address, age, qualification, work experience, etc.
- 3) **Employment Tests:** These tests are based on the assumption the work behaviour of a person can be predicted by sampling it.
- 4) **Selection Interviews:** Interviews can be used to check the information obtained through application form and tests. Managers can judge the personality, communication skills and suitability of the candidate through face-to-face contact. Candidates can also get information about the job and the company.
- 5) **Checking References:** Candidates are requested to give 2 or 3 names of persons from whom information about the candidate may be obtained.
- 6) **Medical Examination:** A physical examination of the employees is essential to ensure that they are physically fit for the job.
- 7) **Final Approval:** The short-listed candidates are finally approved by the heads of the departments in which they are to work. They are issued appointment letters.

### Question 10

#### Case Study

Beauty Solutions Ltd., a reputed firm producing cosmetics chose the simplest channel of distribution. It opened its own retail shops throughout the country to sell a wide range of cosmetics and beauty products.

This channel of distribution has become very popular today as producers experience several benefits.

With reference to the above:

- (a) State the type of distribution channel used by Beauty Solutions Ltd. and explain why this channel has become increasingly popular? [5]
- (b) Discuss any *three* methods that can be used as channels of distribution other than retail outlets. [5]
- (c) Mention *five* factors that Beauty Solutions Ltd. must consider while deciding its channel of distribution. [5]

### Examiners' Comments

- (a) Most candidates got confused and wrote irrelevant channels of distribution. The explanation too was not specific.
- (b) Most candidates wrote types of channels of distribution rather than the methods.
- (c) Most candidates were unable to mention the factors and wrote vague answers.

### Suggestions for teachers

- Sufficient practice to students in answering questions based on case studies must be given to students.
- Use diagrams/ tables to explain different channels of distribution while teaching. Each channel must be explained in detail with concrete examples.
- Clearly highlight the factors on each channel of distribution so that students can understand concrete examples of the factors in order to help remember them.

### **MARKING SCHEME**

#### **Question 10.**

- a) **Direct selling:** (Producer selling directly to consumers without middlemen.) (Any four)
- Reasons for popularity:
- This channel is very fast
  - It is economical.
  - Producer has direct contact with his customers
  - He has desire to maintain full control over distribution.
  - It is useful when aggressive selling is required to push a new product
  - Useful when the product needs to be effectively demonstrated
  - Needed to reach specific target customers
  - Cost of distribution is increasing
  - Markets are scattered
  - Modern means of communication
- b) Methods of Direct Selling: (Explain any three)
- 1) **Door to door salespersons:** Sales force approach customers at their residences/officers, book orders and deliver the goods. E.g. Eureka Forbes Ltd. selling its 'Aquaguard' brand of water purifiers.
  - 2) **Post office/courier:** Customers place orders by mail, telephone or fax. The producer delivers the product through V.P.P. or courier.
  - 3) **Telemarketing:** The product is heavily advertised on T.V. The customers who feel interested can place their orders by telephone, mail or fax, e.g. Asian Sky Shop.
  - 4) **Catalogue Selling:**
  - 5) **On line Marketing / Internet Marketing:**
- c) Factors that Beauty Solutions Ltd. must have taken into consideration while deciding its channel of distribution (Any five)
- 1) **Production Consideration:**



- Unit Value: Expensive garments sold directly by the producers.
  - Perishability: goods which are subject to frequent changes in fashion are generally distributed through short channels.
  - Standardization: Custom-made products pass through short channels due to the need for direct contact.
  - Not of Technical Nature: does not require demonstration, installation and after-sale service, middlemen need not be employed.
- 2) **Market Consideration:**
- Number and Location of Buyers: When the number of buyers is small or the market is located in limited area, direct selling is easy and economical.
  - Buying Habits: Desire for one-stop shopping, need for personal attention, preference for self-service and desire for credit also influence the choice of a trade channel.
- 3) **Company Consideration:**
- Marketing Standing: Well-established companies with good reputation are in a better position to eliminate middlemen.
  - Financial Resources: A large firm with sufficient funds can establish its own retail shops
  - Management: If the management of a firm has sufficient knowledge and experience of distribution, it may prefer direct selling.
  - Volume of Production: A big firm with large output and wide range of products may find it profitable to set up its own retail outlets.
  - Desire for Control of Channel: Firms that want to have close control over the distribution of their products use a short channel
  - Services provided by Manufacturers: A company that sells directly has itself to provide credit, home delivery, after-sale service.
- 4) **Middlemen Consideration:**
- Availability: When desired type of middlemen are not available, a manufacturer may have to establish his own distribution work.
  - Attitudes: Middlemen who do not like a firm's marketing policies may refuse to handle its products.
  - Costs: Choice of a channel should be made after comparing the costs of distribution through alternative channels.
  - Customs and Competition: The channels traditionally used for a product are likely to influence the choice. Channels used by competitors are also important.

**Topics found confusing/difficult:**

- Receipt and Income
- Cash Credit and Loan
- Membership Fees collected by non-trading concern
- Distribution Channel
- Factors while deciding channel of distribution
- Vestibule training

**Suggestions for students:**

- Follow instructions carefully
- Read the question paper carefully and underline the main points.
- Prepare notes on all important topics
- Regular practice of different chapters based on case studies and different concepts with examples should be done.
- Write differences in a tabular form.
- Understanding key terms
- Understanding topics of Marketing, Product life cycle, channels of distribution, Advertising, Branding, Recruitment selection and Training, Banking to be correlated on practical situations.
- Read case studies carefully and correlate with topics learnt.
- Give precise and to the point answers.
- Read and understand all topics thoroughly. Avoid rote learning.
- A detailed study of features, objectives, advantages and disadvantages should be done.
- Read business magazines, it helps to increase knowledge and understanding.