

Chapter 2: Trade

Exercise 1

Exercise 1 | Q 1.01 | Page 41

Select the correct option and rewrite the sentence.

_____ is the link between producer and retailer.

- Consumer
- Wholesaler
- Manufacturer

SOLUTION

Wholesaler is the link between producer and retailer.

Exercise 1 | Q 1.02 | Page 41

Select the correct option and rewrite the sentence.

Price charged by retailers is generally _____

- higher
- lower
- fixed

SOLUTION

Price charged by retailers is generally **higher**.

Exercise 1 | Q 1.03 | Page 41

Select the correct option and rewrite the sentence.

A Wholesaler invests _____ capital in the business.

- small
- large
- less

SOLUTION

A Wholesaler invests **large** capital in the business.

Exercise 1 | Q 1.04 | Page 41

Select the correct option and rewrite the sentence.

Retailer is the _____ link in the chain of distribution.

- first
- last
- second

SOLUTION

Retailer is the **last** link in the chain of distribution.

Exercise 1 | Q 1.05 | Page 41

Select the correct option and rewrite the sentence.

Retailers supply information to the _____ through Wholesalers.

- manufacturer
- government
- consumers

SOLUTION

Retailers supply information to the **manufacturer** through Wholesalers.

Exercise 1 | Q 1.06 | Page 42

Select the correct option and rewrite the sentence.

Major items _____ are chemicals, crude oil and petroleum products, edible oils, electronic goods, gold and silver, pearl and precious stone.

- exported by India
- not exported by India
- imported by India

SOLUTION

Major items **imported by India** are chemicals, crude oil and petroleum products, edible oils, electronic goods, gold and silver, pearl and precious stone.

Exercise 1 | Q 1.07 | Page 42

Select the correct option and rewrite the sentence.

For customs clearance the _____ is prepared by the exporter.

- carting Order
- letter of Credit
- shipping Bill

SOLUTION

For customs clearance the **shipping Bill** is prepared by the exporter.

Exercise 1 | Q 1.08 | Page 42

Select the correct option and rewrite the sentence.

_____ carry goods on their head in baskets or containers.

- Hawkers
- Peddlers
- Cheap Jacks

SOLUTION

Peddlers carry goods on their head in baskets or containers.

Exercise 1 | Q 1.09 | Page 42

Select the correct option and rewrite the sentence.

_____ open their shops on market days i.e. on fixed days.

- Street traders
- Market Traders
- Peddlers

SOLUTION

Market Traders open their shops on market days i.e. on fixed days.

Exercise 1 | Q 1.1 | Page 42

Select the correct option and rewrite the sentence.

_____ retailers deal in particular goods.

- General Stores
- Speciality shop retailers
- Second hand goods shops

SOLUTION

Speciality shop retailers deal in particular goods.

Exercise Q.1 | Q 1.11 | Page 42

Select the correct option and rewrite the sentence.

_____ is known as self-service store.

- Department store
- Super market
- Multiple store

SOLUTION

Super market is known as self-service store.

Exercise Q.1 | Q 2.1 | Page 42

Match the pairs.

Group 'A'		Group 'B'	
A)	Departmental Store	1)	Carry goods on heads
B)	Market traders	2)	Uniform Price
C)	General shops	3)	Business on market day
D)	One price shop	4)	Most common shop
E)	Peddlers	5)	Huge capital
		6)	Distribution through branches
		7)	Carry goods on carts
		8)	Sale used articles
		9)	Specialized goods
		10)	Authorized dealers

SOLUTION

Group 'A'		Group 'B'	
A)	Departmental Store	5)	Huge capital
B)	Market traders	3)	Business on market day
C)	General shops	4)	Most common shop
D)	One price shop	2)	Uniform Price
E)	Peddlers	1)	Carry goods on heads

Exercise 1 | Q 2.2 | Page 42

Match the pairs.

Group 'A'		Group 'B'	

A)	Import Trade	1)	First step in Import
B)	Registration	2)	Goods not for own country
C)	Entrepot trade	3)	Buying goods from other country
D)	Letter of Credit	4)	No restrictions
		5)	Selling goods to other country
		6)	Credit worthiness of importer.
		7)	Recovery of dues

SOLUTION

Group 'A'		Group 'B'	
A)	Import Trade	3)	Buying goods from other country
B)	Registration	1)	First step in Import
C)	Entrepot trade	2)	Goods not for own country
D)	Letter of Credit	6)	Credit worthiness of importer.

Exercise 1 | Q 3.1 | Page 43

Give one word/phrase/term:

A person who move daily from place to place to sell goods.

SOLUTION

Itinerant retailer

Exercise 1 | Q 3.2 | Page 43

Give one word/phrase/term:

The middleman between wholesaler and customer.

SOLUTION

Retailor

Exercise 1 | Q 3.3 | Page 43

Give one word/phrase/term:

A retail shop which operates through branches.

SOLUTION

Chain stores

Give one word/phrase/term:

A shop where all goods are available at same price.

SOLUTION

One price shop

Give one word/phrase/term:

A retailer who display his goods on the road.

SOLUTION

Street traders

Give one word/phrase/term:

An order placed by an importer for the supply of certain goods.

SOLUTION

Indent

State True or False.

Wholesaler keeps large stock of goods.

- True
- False

SOLUTION

True

State True or False.

Wholesaler deals in small quantity.

- True
- False

SOLUTION

False

Exercise 1 | Q 4.3 | Page 43

State True or False.

A retailer has no direct contact with consumers.

- True
- False

SOLUTION

False

Exercise 1 | Q 4.4 | Page 43

State True or False.

Super market shops offer home delivery facilities to customer.

- True
- False

SOLUTION

False

Exercise 1 | Q 4.5 | Page 43

State True or False.

Departmental store located out of the city

- True
- False

SOLUTION

False

Exercise 1 | Q 4.6 | Page 43

State True or False.

Customers cannot bargain in one price shop.

- True
- False

SOLUTION

False

Exercise 1 | Q 4.7 | Page 43

State True or False.

Letter of Credit is required for obtaining export license.

- True
- False

SOLUTION

True

Exercise 1 | Q 4.8 | Page 43

State True or False.

Buying goods from other country is known as export trade.

- True
- False

SOLUTION

False

Exercise 1 | Q 4.9 | Page 43

State True or False.

Maintaining high quality is necessary to sustain in export business.

- True
- False

SOLUTION

True

Exercise 1 | Q 5.01 | Page 43

Complete the sentence.

The original form of trade was _____.

SOLUTION

The original form of trade was **Barter**.

Exercise 1 | Q 5.02 | Page 43

Complete the sentence.

Trade establishes a link between producers and _____.

SOLUTION

Trade establishes a link between producers and **consumers**.

Exercise 1 | Q 5.03 | Page 43

Complete the sentence.

The wholesaler provides valuable services to manufactures and _____.

Exercise 1 | Q 5.04 | Page 43

Complete the sentence.

The wholesaler purchases a large quantity of goods from the _____.

SOLUTION

The wholesaler purchases a large quantity of goods from the **manufacturers**.

Exercise 1 | Q 5.05 | Page 43

Complete the sentence.

The wholesaler bears the risk of _____ and market fluctuations

SOLUTION

The wholesaler bears the risk of **price** and market fluctuations

Exercise 1 | Q 5.06 | Page 43

Complete the sentence.

The wholesaler provides financial support to retailers by way of _____ facility.

SOLUTION

The wholesaler provides financial support to retailers by way of **credit** facility.

Exercise 1 | Q 5.07 | Page 43

Complete the sentence.

The retailer is the connecting link between the wholesaler and _____

SOLUTION

The retailer is the connecting link between the wholesaler and **consumers**.

Exercise 1 | Q 5.08 | Page 43

Complete the sentence.

_____ is a large retail organization which mainly sells wide variety of food and grocery items on the basis of 'self-service'.

SOLUTION

Super Market is a large retail organization which mainly sells wide variety of food and grocery items on the basis of 'self-service'.

Exercise 1 | Q 5.09 | Page 43

Complete the sentence.

_____ are retail stores owned by a single organization.

SOLUTION

Chain Stores are retail stores owned by a single organization.

Exercise 1 | Q 5.1 | Page 43

Complete the sentence.

The shop where the prices of all products or goods are same is known as _____.

SOLUTION

The shop where the prices of all products or goods are same is known as **one price shop**.

Exercise 1 | Q 5.11 | Page 43

Complete the sentence.

A modern shopping mall is an _____ term.

SOLUTION

A modern shopping mall is an **American** term.

Exercise 1 | Q 5.12 | Page 43

Complete the sentence.

The Letter of Credit is the safest method of payment in _____ trade.

SOLUTION

The Letter of Credit is the safest method of payment in **export** trade.

Exercise 1 | Q 6.1 | Page 43

Find the odd one

- General Stores
- Hawkers
- Cheap Jacks
- Peddlers

SOLUTION

General Stores

Exercise 1 | Q 6.2 | Page 43

Find the odd one

- Departmental Stores
- Chain Stores
- Market Trader
- One Price Shop

SOLUTION

Market Trader

Exercise 1 | Q 6.3 | Page 43

Find the odd one

- Speciality Shops
- Secondhand goods shops
- Malls
- Authorised Dealers

SOLUTION

Malls

Exercise 1 | Q 7.1 | Page 43

Select the correct option.

Wholesaler deals in _____ quantity.

- small
- large

SOLUTION

Wholesaler deals in **large** quantity.

Exercise 1 | Q 7.2 | Page 43

Select the correct option.

Departmental store located _____ the city.

- in
- out of

SOLUTION

Departmental store located **in** the city.

Exercise 1 | Q 7.3 | Page 43

Select the correct option.

Customer cannot bargain in _____

- General stores
- one price shop

SOLUTION

Customer cannot bargain in **one price shop**.

Exercise 1 | Q 7.4 | Page 43

Select the correct option.

Retailer operates in _____ markets

- global
- local

SOLUTION

Retailer operates in **local** markets

Exercise 1 | Q 7.5 | Page 44

Select the correct option.

Departmental store is a _____ scale retail shop.

- Large
- Small

SOLUTION

Departmental store is a **large** scale retail shop.

Exercise 1 | Q 7.6 | Page 44

Select the correct option.

Supermarket shop requires _____ capital.

- limited
- Large

SOLUTION

Supermarket shop requires **large** capital.

Exercise 1 | Q 7.7 | Page 44

Select the correct option.

Chain stores are retail store owned by _____ organization.

- many
- single

SOLUTION

Chain stores are retail store owned by **single** organization.

Exercise 1 | Q 7.8 | Page 44

Select the correct option.

The shop where the prices of all the products or goods are _____ is known as one price shop.

- different
- same

SOLUTION

The shop where the prices of all the products or goods are **same** is known as one price shop.

Exercise 1 | Q 8.01 | Page 44

Answer in one sentence

What do you mean by internal trade?

SOLUTION

Trade carried on within the geographical boundaries of a country is called internal trade or domestic trade

Answer in one sentence

Who is known as hawkers?

SOLUTION

A trader who carries the goods on the back of animals or wheel cart for the purpose of selling is called an hawker.

Answer in one sentence

What is the meaning of Peddlers?

SOLUTION

Mobile retailer who carry goods on their head or back and move from one place to another for selling are called paddlers.

Answer in one sentence

What do you mean by fixed shop retailers?

SOLUTION

Fixed shop retailers are those retailers who have a fixed place for their business.

Answer in one sentence

What do you mean by small scale fixed retailers?

SOLUTION

Small scale fixed retailers are those who conduct their business operations on a small scale with variety of goods at a fixed place.

Answer in one sentence

What do you mean by large scale fixed retailer?

SOLUTION

Large scale fixed retailers operate on large scale business at a fixed place.

Answer in one sentence

What is departmental store?

SOLUTION

A departmental store is a large scale retail organisation situated in a central place in the city. It is divided into a number of small retail shops known as departments, selling different goods under one roof.

Exercise 1 | Q 8.08 | Page 44

Answer in one sentence

What is meant by supermarket shop?

SOLUTION

It is a large scale retail organization which sells a wide variety of goods to customers on the basis of self service.

Exercise 1 | Q 8.09 | Page 44

Answer in one sentence

What do you mean by chain store?

SOLUTION

Chain store is a retail shop owned and controlled by a single organization located in different parts of the city, with a particular kind of goods.

Exercise 1 | Q 8.1 | Page 44

Answer in one sentence

What is one price shop?

SOLUTION

One price shops are shops where all articles are sold at one standard and fixed price.

Exercise 1 | Q 8.11 | Page 44

Answer in one sentence

What is a mall?

SOLUTION

A mall is a large enclosed shopping complex comprising of various stores business cinema theaters and restaurants.

Exercise 1 | Q 9.1 | Page 44

Correct the underlined word and rewrite the following sentence:

When the trade activities are conducted between two or more countries, it is called as internal trade.

SOLUTION

When the trade activities are conducted between two or more countries, it is called as **external trade**.

Exercise 1 | Q 9.2 | Page 44

Correct the underlined word and rewrite the following sentence:

Export trade refers to the purchase of good and services from foreign country

SOLUTION

Import trade refers to the purchase of good and services from foreign country

Exercise 1 | Q 9.3 | Page 44

Correct the underlined word and rewrite the following sentence:

The price charged in departmental stores is comparatively less.

SOLUTION

The price charged in departmental stores is comparatively **high**.

Exercise 1 | Q 9.4 | Page 44

Correct the underlined word and rewrite the following sentence:

Wholesaler requires less capital.

SOLUTION

Retailer requires less capital.

Exercise 1 | Q 9.5 | Page 44

Correct the underlined word and rewrite the following sentence:

Tariff rates of various countries affect the internal trade.

SOLUTION

Tariff rates of various countries affect the **external trade**.

Exercise 1 | Q 10.1 | Page 44

Arrange in proper order:

a) Retailer

- b) Consumer
- c) Producer
- d) Wholesaler

SOLUTION

- c) Producer
- d) Wholesaler
- a) Retailer
- b) Consumer

Exercise 1 | Q 10.2 | Page 44

Arrange in proper order:

- a) International Market
- b) Local Market
- c) National Market
- d) State Market

SOLUTION

- b) Local Market
- d) State Market
- c) National Market
- a) International Market

Exercise 1 | Q 10.3 | Page 44

Arrange in proper order:

- a) Import Stage
- b) Pre-import Stage
- c) Post-import Stage
- d) Preliminary Stage

SOLUTION

- d) Preliminary Stage
- b) Pre-import Stage
- a) Import Stage
- c) Post-import Stage

EXERCISE 2

Exercise 2 | Q 1 | Page 44

Explain the following term/concept:

Wholesale Trade

SOLUTION

(I) When goods are purchased in large quantity from the manufacturers or producers for the purpose of resale to retailers, then it is called as wholesale trade

(II) The person doing wholesale business is called wholesaler.

(III) Wholesaler acts as a link between manufacturer and retailer.

Exercise 2 | Q 2 | Page 44

Explain the following term/concept:

Retail Trade.

SOLUTION

(I) When goods are sold in smaller quantities to the final consumers, then it is called as retail trade.

(II) The person doing retail trade is called as retailer.

Exercise 2 | Q 3 | Page 44

Explain the following term/concept:

Foreign Trade.

SOLUTION

(I) Trade carried on between two or more foreign countries is called foreign trade.

(II) Foreign trade depends as political relations between two countries.

(III) Procedure of foreign trade is complex, difficult and lengthy.

Exercise 2 | Q 4 | Page 44

Explain the following term/concept:

Letter Of Credit.

SOLUTION

(I) A letter of credit is a guarantee issued by the importers bank that it will honor the payment upto certain amount of export bills to the bank of the exporter.

(II) It is generally demanded by the exporter country.

(III) It gives assurance to exporter country about its payment of goods exported.

Exercise 2 | Q 5 | Page 44

Explain the following term/concept:

One price shop.

SOLUTION

(I) A letter of credit is a guarantee issued by the importers bank that it Will honor the payment upto certain amount of export bills to the bank of the exporter.

(II) It is generally demanded by the exporter country.

(III) It gives assurance to exporter country about its payment of goods exported.

Exercise 2 | Q 6 | Page 44

Explain the following term/concept:

Departmental Store.

SOLUTION

(I) Departmental store is a large scale retail shop having different departments and sections for different type of goods in the same building.

(II) It sells large variety of goods under one roof.

(III)E.g. Shopper stop.

Exercise 2 | Q 7 | Page 44

Explain the following term/concept:

General store.

SOLUTION

(I) General store is a retail shop which deals m a wide variety of goods located m a residential locality

(II) Such store sells goods of daily needs like food grains, soaps, stationery, medicines, oils, biscuits etc.

(III) They provide home delivery to their customers.

(IV) They buy goods from the Wholesalers or directly from the manufacturers.

Exercise 2 | Q 8 | Page 44

Explain the following term/concept:

Mall.

SOLUTION

(I) A mall is a large enclosed shopping complex having various stores, restaurant, cinema hall and other business.

(II) E. g. Phoenix Mall, inorbit Mall, etc.

(iii) It is an American term in which one or more building from a complex.

EXERCISE 3

Exercise 3 | Q 1.1 | Page 44

Study the following case/situation and express your opinion.

Sonupant purchases his grocery material every month from nearest Nandulal grocery shop and he purchase wheat, rice and pulses in bulk for whole year from Gorhe and Son's market yard.

Who is wholesaler?

SOLUTION

Gorhe and son's Market yard.

Exercise 3 | Q 1.2 | Page 44

Study the following case/situation and express your opinion.

Sonupant purchases his grocery material every month from nearest Nandulal grocery shop and he purchase wheat, rice and pulses in bulk for whole year from Gorhe and Son's market yard.

Who is retailer?

SOLUTION

Nandulal grocery shop is the retailer.

Exercise 3 | Q 1.3 | Page 44

Study the following case/situation and express your opinion.

Sonupant purchases his grocery material every month from nearest Nandulal grocery shop and he purchase wheat, rice and pulses in bulk for whole year from Gorhe and Son's market yard.

Any one difference between wholesaler and retailer?

SOLUTION

Goods are sold to retailer for the purpose of sale by wholesaler.

Goods are sold to customer for consumption by the retailer.

Exercise 3 | Q 2.1 | Page 45

Study the following case/situation and express your opinion.

Anurag is selling goods to Japan Kavita is buying goods from USA where as Ganesh is buying raw material from South Africa and after processing it sells finished goods to

Malaysia.

who is exporter?

SOLUTION

Anurag is the exporter.

Exercise 3 | Q 2.2 | Page 45

Study the following case/situation and express your opinion.

Anurag is selling goods to Japan Kavita is buying goods from USA where as Ganesh is buying raw material from South Africa and after processing it sells finished goods to Malaysia.

Who is importer?

SOLUTION

Kavita is an importer.

Exercise Q.3 | Q 2.3 | Page 45

Study the following case/situation and express your opinion.

Anurag is selling goods to Japan Kavita is buying goods from USA where as Ganesh is buying raw material from South Africa and after processing it sells finished goods to Malaysia.

What is Entrepot Trade?

SOLUTION

Entrepot trade is re-exporting of the goods to another country, with or without processing or re-packaging e.g. Ganesh buying raw materials from South Africa and processing it and selling it to Malaysia.

EXERCISE 4

Exercise 4 | Q 1 | Page 45

Distinguish between the following:

Wholesaler and Retailer.

SOLUTION

Sr No.	Points	Wholesaler	Retailer
1	Meaning	A person who conducts the wholesale trade is called as wholesaler.	A person who conducts called as retailer.

2	Capital/Finance	Wholesaler needs large amount of capital	Retailer needs small amount of capital.
3	Link	It is a link between manufacturer and retailer.	It is a link between wholesaler and customers.
4	Location	It is located in central market of the city.	It is located in various local markets in the city.
5	Profit margin	Wholesaler works on less profit margin.	Retailer works on more profit margin.
6	Sales of goods	Goods are sold to retailer for the purpose of resale.	Goods are sold to final customers for their consumption.
7	Credit facility	Wholesaler offers credit facility to retailers.	Retailer offers credit facility only to his regular customers
8	Prices	It sales goods at lower prices to retailers.	It sales goods at higher prices to customers.
9	Specialisation	They are specialised in one or few line of goods.	They are specialised in variety of goods.
10	Warehousing	Requires warehousing facilities as the stock of goods are on large scale.	He does not require separate warehousing due to small scale purchasing.
11	Home delivery	Wholesaler offers delivery of goods to retailers at their shops.	Retailer offers home delivery of goods to regular customers.

Exercise 4 | Q 2 | Page 45

Distinguish between the following:

Itinerant Retailers and Non-Itinerant (Fixed shop retailer).

SOLUTION

Sr No.	Points	Itinerant Retailers	Non-Itinerants Retailers
1	Meaning	Itinerant retailers are those retailers who do not have a fixed places for their business.	Fixed shop retailers are those retailers who have a fixed place for their business.
2	Capital	It requires limited capital.	It requires higher capital investment.
3	Stock of goods	They keep limited stock of goods.	They keep large stock of goods.

4	Quality of goods	They sell low quality goods.	They sell quality goods.
5	Variety of goods	They do not offer variety of goods to customers.	They offer variety of goods to customers.
6	Prices	Prices of goods is lower due to absence of fixed cost.	Prices of goods is higher than itinerant retailers.
7	Credit facility	Credit facility is not given to customers.	Credit facility is given only to regular customers.
8	Choice of goods	Customers have no scope for choice of goods.	Customers have more scope for choice of goods.
9	Door to door service	They offer door to door service to their customers.	They do not offer door to door services to their customers.
10	After sales service	They do not provide after sales service to customers.	They provide after sales service to customers.
11	Types of goods	It deals in goods of daily need and more perishable nature.	It deals in all types of goods as per the needs of the customers.

Exercise 4 | Q 3 | Page 45

Distinguish between the following:

General stores and specialty stores.

SOLUTION

Sr No.	Points	General stores	Specialty stores
1	Meaning	It is a shop which deals in Wide variety of goods.	It is a shop which deals in Specialized products of goods
2	Location	It is located in the residential areas of the city.	It is located in busy Shopping centers of the city.
3	Prices	Prices of goods are generally	Prices of goods are generally

		low.	high.
4	Sales	Goods are sold on cash basis as well as on credit basis.	Goods are sold on cash basis only.
5	Variety of product	Customers have limited choice of goods.	Customers have maximum choice in one line of goods.
6	Types of goods	Goods sold as per customers day to day need.	Specialized goods are sold to customers.
7	Advertisement	Do not spend much expenses on advertisement.	Spend more expenses on advertisement due to Specialization.

Exercise 4 | Q 4 | Page 45

Distinguish between the following:

Department stores and Chain stores.

SOLUTION

Sr No.	Points	Department stores	Chain stores
1	Meaning	It is a large scale retail store having different departments and sections for different type of goods under a same roof.	It is a retail shop owned and controlled by a single organization located in different parts of the city.
2	Variety of goods	It deals with large variety of goods.	It deals with goods of a particular manufacturer only.
3	Location	It is located at central place of city.	It is located in the residential area of the city.
4	Capital	It requires large amount of capital.	It requires less amount of capital than Departmental store.
5	Choice of goods	It deals in the variety of goods and offers wide choice to customers.	It deals in particular product of goods and offer the Wide choice to customers.
6	Home delivery	It deals in the variety of goods and offers wide choice to customers.	It do not provide home delivery to customers.
7	Operation	It provides home delivery to customers.	Operation of Chain Stores are flexible in nature.
8	Motto	Operations of departmental store are rigid in nature.	Motto of Chain Store is to approach the customers.
9	Price	Motto of departmental store is to	It charges comparatively less

		attract customers.	price.
10	Cost of operating	It generally charges high price. Cost of operating departmental store is high	Cost of operating chain store is low.

Exercise 4 | Q 5 | Page 45

Distinguish between the following:

Import trade and export trade.

SOLUTION

Sr No.	Points	Import trades	Export trade
1	Meaning	It refers to buying of goods and services from foreign country.	It refers to sale of goods and services to foreign country.
2	Person involved	The person doing import trade is called importer.	The person doing export trade is called exporter.
3	Example	India buying bananas from Sri Lanka.	India selling mangoes to Sri Lanka.
4	Stages	It includes following stages: (a) Preliminary stage (b) Pre-shipment stage (c) Shipment stage (d) Post-shipment stage	It includes following stage: (a) Preliminary stage (b) Pre-import stage (c) Import stage (d) Post-import stage.

EXERCISE 5

Exercise 5 | Q 1 | Page 55

Answer in brief.

State any four feature of one price shop

SOLUTION

Features of One Price Shop:

(I) Location: One price shops are located in busy centers of the city such as busy trade centers near railway stations, bus stops and other crowded places.

(II) Variety of Goods: In one price shop, the customers are given wide scope to make selection of goods of their choice. However, the price is uniform but quality of the goods may be different.

(III) Cash Sales: In this shop goods are sold on cash basis only. No credit facility is given to the customers. So there is no risk of bad debts.

(IV) Low Priced Articles: In one price shop, the goods are sold to customers for domestic use at lower prices e.g. stationery, cutlery, toys, plastic goods, etc.

(V) Uniform Prices: All the articles of goods are sold in one price shop at the same

price. The customers have no scope for bargain in this shop.

(VI) Business Policy: In one price shop, the policy of buying and selling of goods of all the shops are the same one.

Exercise 5 | Q 2 | Page 45

Answer in brief.

State any four features of wholesalers to manufacturers.

SOLUTION

Services of Wholesalers to Manufacturers.

(I) Provide Finance: Wholesaler provides advance to the manufacturers so they can do bulk production. Manufacturer can maintain continuous flow of production.

(II) Collecting Order and Distribution of Goods: Wholesaler collects small orders of goods from the retailers then he collects the goods from manufacturer and distributes it to retailers.

(III) Goods Sale on Large Scale: Wholesaler sells goods to the retailers on large scale on behalf of manufacturers.

(IV) Economy in Production: Large scale of production is made possible because production of goods is done continuously by the manufacturer.

(V) Market Information: Wholesaler provides latest information of market condition to manufacturer. On the basis of this information manufacturer changes his production policies and regulates production activities.

(VI) Storage: The wholesaler provides storage facilities for the manufacturers' product of goods. This helps them to fill up the time gap between production and consumption of goods.

Exercise 5 | Q 3 | Page 45

Answer in brief.

Write any four services of retailers to consumers.

SOLUTION

Services of Retailers to Customers:

(I) Variety of Goods: Retailer keep different brands of goods which helps the customer to choose.

(II) After Sales Services: After sales services are given for a particular period, which is known as guarantee period for costly and durable goods such as refrigerators, TV. etc. Such services create confidence in minds of consumers for further purchases.

(III) Regular Supply of Goods: Retailer stocks the goods sufficiently which are required by the customers and customers purchases the goods whenever needed.

(IV) Credit Facilities: Retailers provides credit facility to customer which helps him to grow up sales and also it is convenient for the customers to purchase goods.

(V) Home Delivery: Retailer provides home delivery service to the customers which helps him to maintain permanent relationship with the customers.

Exercise 5 | Q 4 | Page 45

Answer in brief.

State any two types of small scale fixed shop retailer.

SOLUTION

Types of Small Scale Shop Retailers:

(I) General Store Retailer: These shops are found in residential areas and offers shopping convenience to the customers. They deal in wide variety of goods so there is scope for choice. They deal in almost all household articles and goods of daily use. They provide credit facilities and have personal relation with their customers. They have fixed place of business so the customers have faith and confidence in dealing with them.

Second Hand Goods Dealers: As the name indicates these shops deal in used or old goods and articles. They buy goods from individual and not from manufacturers or Wholesalers. They repair or overhaul the items. They display them in their shops. Generally people from poor communities prefer to buy from these Shops.

Exercise 5 | Q 5 | Page 45

Answer in brief.

Explain preliminary stage of import procedure.

SOLUTION

Import trade refers to buying of goods and services from another country or countries i.e. a foreign country. The procedure of import trade varies from one country to another country depending upon the policy implemented in that country. Import of goods and services is controlled by the government in most of the countries. India follows the following import procedure, which is divided into four stages.

Preliminary Stage:

(1) Registration: In order to carry out import, the importer has to get himself registered with the authorities given below:

(I) Director General Foreign Trade (DGFT) in order to get an Import-Export Certificate Number.

(II) The Income Tax department to obtain Permanent Account Number.

(III) To carry out GST formalities.

(2) Negotiation or Trade enquiry: The importer must collect information from overseas suppliers regarding the goods he wants to import of a product. It contains details like:

(a) Price **(b)** Delivery schedule, **(c)** Credit period and **(d)** Terms and conditions of sale, payment and delivery.

Exercise 5 | Q 6 | Page 45

Answer in brief.

Explain post-shipment stage of export procedure.

SOLUTION

Post-shipment Stage:

(I) Shipment Advice: On the dispatch of the goods, the exporter sends shipment advice to the importer. Along with it, he also sends the packaging list, commercial invoice and non-negotiable copy of loading.

(II) Presentation of Documents: The necessary documents are presented to the bank for negotiation and realisation of export proceeds.

(III) Realisation of Export incentive: Various incentive like duty drawbacks, refunds of GST if paid etc. is given to the exporter by the concerned authorities.

(IV) Follow up: Exporter has to follow up and find out the buyers reaction on the goods he receives: This concludes the export procedure.

EXERCISE 6

Exercise 6 | Q 1 | Page 45

Justify the following statement:

Wholesaler sells goods in large quantities.

SOLUTION

(I) Wholesaler buys goods in large quantities from the manufacturer and sells it to the retailers according to their orders.

(II) Thus, wholesaler sells goods in large quantities.

Exercise 6 | Q 2 | Page 45

Justify the following statement:

Wholesaler maintains price stability.

SOLUTION

(I) A wholesaler is both a buyer and a seller.

(II) He is in a position to maintain price stability by balancing supply and demand factors.

(III) By supplying regular goods to the retailer, he solves the risk of shortage and price fluctuation is reduced.

(IV) Thus, wholesaler maintains price stability.

Exercise 6 | Q 3 | Page 45

Justify the following statement:

Retailer provide home delivery of goods to customers.

SOLUTION

(I) Retailer is a person who buys goods on smaller quantities.

(II) Retailer provides home delivery of goods to customer at nominal cost or free of cost.

(III) This helps them to improve relations with the customers and maintain permanent relations with the customers.

(IV) Thus, retailer provide home delivery of goods to customers.

Exercise 6 | Q 4 | Page 45

Justify the following statement:

Wholesaler performs various marketing functions.

SOLUTION

(I) The wholesaler carries various marketing functions like warehousing, advertisings, sales promotion, etc. on behalf of the manufacturers.

(II) They also perform various marketing functions like assembling, warehousing, transporting, grading, packing, advertising and financing.

(III) These functions help the retailers and a manufacturers as they can concentrate on the production and selling activities.

(IV) Thus, wholesaler performs various marketing functions.

Exercise 6 | Q 5 | Page 45

Justify the following statement:

Authorized dealer do not have other product of other manufacturers.

SOLUTION

(I) An authorized dealer only deals with one line of products from one-manufacturers.

(II) They do not have products of other manufacturers.

(III) They promote the goods by providing window display, advertising and also having attractive schemes for selling the goods.

(IV) Thus, authorized dealer do not have other product of other manufacturers.

Exercise 6 | Q 6 | Page 45

Justify the following statement:

General stores are generally situated near residential areas.

SOLUTION

(I) General Stores are found in residential areas and offer shopping convenience to the customers.

(II) They deal in wide variety of goods.

(III) They deal with day to day useful goods.

(IV) Thus, general stores are generally situated near residential areas.

Exercise 6 | Q 7 | Page 45

Justify the following statement:

Departmental store has centralized management system.

SOLUTION

- (I) Departmental stores are generally established by joint stock companies.
- (II) Various departments which look like specialized shops are controlled and managed by single management.
- (III) The management of departmental store is centralized.
- (IV) All departmental store is centralized.
- (V) All departments are independent but they are centrally owned managed are controlled.
- (VI) Thus, departmental store has centralized management system.

Exercise 6 | Q 8 | Page 45

Justify the following statement:

Packing plays an important role in selling product in the supermarket.

SOLUTION

- (I) Packing plays an important role in selling products in the supermarket.
- (II) Goods are duly packed by giving details of quantity, quality, weight, price, Contents, date of manufacturing and date of expiry.
- (III) This is helpful in handling the goods and also makes the goods more attractive and durable.
- (IV) Thus, packing plays an important role in selling product in the supermarket.

Exercise 6 | Q 9 | Page 45

Justify the following statement:

Chain store sell a limited range of goods.

SOLUTION

- (I) Each branch of a chain store deals in the same commodity or in the same line of products.
- (II) This enables the store to give better guidelines to the customers,
- (III) Thus, chain store sell a limited range of goods.

Exercise 6 | Q 10 | Page 45

Justify the following statement:

There is no scope for bargaining in one price shop.

SOLUTION

(I) The goods are priced at one price which is fixed.

(II) There is a fixed and uniform price.

(III) The price are fixed in advance, so there is no scope for bargaining.

(IV) Thus, there is no scope for bargaining in one price shop.

EXERCISE 7

Exercise 7 | Q 1 | Page 45

Answer the following:

What are the main features of Wholesaler?

SOLUTION

(A) Meaning.

(I) Wholesalers are those who engage themselves in wholesale trade.

(II) It IS concerned with the buying of goods in large quantities from producers and reselling the same in small quantities to the retailers.

(III) Wholesaler is a connecting link between producers on one hand and retailers on the other.

(B) Definitions:

Philip Kotler "wholesaling includes all activities involved in selling goods or services to those who buy for resale or for business use."

(C) Features of Wholesaler:

(I) The wholesaler generally deals in one or few items of goods.

(II) Wholesaler requires a large amount of capital to be invested in the business.

(III) Wholesaler buys goods from the manufacturer in large scale.

(IV) Wholesaler sells the goods to retailers as per their requirement.

(V) Wholesaler has direct contact with manufacturer.

(VI) Wholesaler is located in the same area for convenience of the retailer.

(VII) Wholesaler acts as a real risk bearer in the process of distribution.

(VIII) Wholesaler performs various marketing functions.

Exercise 7 | Q 2 | Page 45

Answer the following:

Explain the services of retailers to Wholesalers.

SOLUTION

Services of Retailers to Wholesalers.

(I) Create demand: Retailers attracts consumers attention towards new products and arrivals in the market through personal salesmanship.

(II) Helps to Distribute: Retailer helps distributing perishable goods which are having short life. He also performs assembling, grading and packing function.

(III) Marketing: Retailers sometimes carry marketing function for the Wholesalers i.e. handling transportation, solving shortage problems, advertise goods, etc.

(IV) Financing: Wholesaler collects order from customers and take advances from them. Then places order to manufacturer. Retailer collects sales proceeds from customers and passes it to the wholesaler and finally it reaches the manufacturer.

(V) Attracts Consumers: Retailer makes an advertising of goods by displaying in the showroom and thus promote sales. This activity directly helps the wholesaler to sell the product.

(VI) Provides Information: Retailer provides information to the wholesaler regarding market and demand of goods by the customers, likes and dislikes of customers, etc.

(VII) Connecting Link: Retailer purchases goods from wholesaler and sells it to the customer and thus act a middleman.

(VIII) Increase Sales: Retailers help the wholesaler to increase his sales by buying goods from him regularly and at short intervals.

Exercise 7 | Q 3 | Page 45

Answer the following:

Explain small scale fixed shop retailers.

SOLUTION

Small Scale Fixed Shop Retailers:

Small scale fixed retailers usually run their business operations on a small scale and deal in limited line of goods. Such shops are run by their owners with the help of assistants. These shops are situated in residential areas.

Types of Small Scale Shop Retailers:

(I) General Stores: These shops are found in residential areas and offers shopping convenience to the customers. They deal in Wide variety of goods so there is scope for choice. They deal in almost all household articles and goods of daily use. They provide credit facilities and have personal relation with their customers. They have fixed place of business so the customers have faith and confidence in dealing with them.

(II) Second Hand Goods Shops: As the name indicates these shops deal in used or old goods and articles. They buy goods from individual and not from manufacturers or wholesalers. They repair or overhaul the items. They display them in their shops. Generally people from poor communities prefer to buy from these shops.

(III) Authorised Dealers: These retailers have an authorized dealership of a particular manufacturer's goods. They sell of consumers requirement goods like T.V. sets, mobile phones, washing machine, etc.

(IV) Specialty Shops: These retailers deal in particular line of goods. They keep a wide variety of items within the same line of products. They offer goods at reasonable prices. They are popular in cities and towns. They provide wide choice to customers. Normally they carry on business on cash basis.

Exercise 7 | Q 4 | Page 45

Answer the following:

Explain the services of wholesalers.

SOLUTION

Wholesaler provides services to:

(A) Manufacturers and **(B)** Retailers

(A) Services of Wholesalers to Manufacturers:

(I) Finance Assistance: Wholesaler provides advance to the manufacturers, so they can do bulk production. Thus, manufacturer can maintain continuous flow of production.

(II) Collecting Order and Distribution of Goods: Wholesaler collects small orders of goods from the retailers then he collects the goods from manufacturer and distributes it to retailers.

(III) Large Purchase: Wholesaler purchases goods on large scale from the manufacturers and sells it to the retailers on behalf of the manufacturers.

(IV) Transportation: Wholesaler sometimes carry the transportation function of manufacturer by himself. So cost and time of manufacturer is saved.

(V) Risk Bearing: He takes a risk of buying goods in big quantity and storing them. This may sometimes lead him to loss.

(VI) Provide Market Information: Wholesaler provides latest information of market condition to manufacturer. On the basis of this information manufacturer changes his production policies and regulates production activities.

(VII) Marketing Function: Wholesaler carries many marketing functions like warehousing, advertising, sales promotion, etc. on behalf of manufacturer.

(VIII) Storage: The wholesaler provides storage facilities for the products manufacture by the producers. This helps them to fill up the time gap between production and consumption of goods.

(B) Services of Wholesaler to Retailers:

(I) Financial Support: Wholesaler provides credit facility, discount facility and financial assistance to their retailers.

(II) Market Information: Wholesaler provides market information to retailers as he has link with various manufacturers. This information is very useful to retailers for purchase of goods.

(III) Risk Bearing: Retailer holds limited stock of goods and avoids the risk of spoilage of goods. Retailer get protected from increase or decrease of prices of goods and fluctuation of demand.

(IV) Stock of Goods: Wholesaler stores the stock of goods for retailers, then retailer supply these goods to customers as per their demands.

(V) Warehousing and Transport: Wholesaler provides the facility of storing of goods as well as transport facility to retailers. They also do home delivery of goods to retailers.

(VI) Regular Supply: Wholesaler assures regular supply of goods to the retailers. Risk of shortage of goods and price fluctuation is reduced.

(VII) Sales Promotion: Wholesaler provides promotional facility to the retailer. He advertises on behalf of retailers and this helps the retailers to increase the sales.

Exercise 7 | Q 5 | Page 45

Answer the following:

Explain the different services of retailers.

SOLUTION

Retailers provides services to:

(A) Customers and **(B)** Wholesaler

(A) Services of Retailers to Customers:

(I) Variety of Goods: Retailer keep different brands of goods which helps the customer

to choose.

(II) After Sales Services: After sales services are given for a particular period, which is known as guarantee period for costly and durable goods such as refrigerators, TV. etc. Such services create confidence in minds of consumers for further purchases.

(III) Regular Supply of Goods: Retailer stocks the goods sufficiently which are required by the customers and customers purchase the goods whenever needed.

(IV) Credit Facilities: Retailers provide credit facility to customer which helps him to grow up sales and also it is convenient for the customers to purchase goods.

(V) Home Delivery: Retailer provides home delivery service to the customers which helps him to maintain permanent relationship with the customers.

(VI) Information: Retailer is a link between manufacturer and consumer. He provides valuable information from the customers to the manufacturer so that he can modify the product as per the likes and dislikes of the customers. Complaints regarding defects in goods, improper functioning of the product, constant break down, etc. are passed on to the manufacturers.

(VII) Local Convenience: Retailers are generally located near residential areas. Hence, customers can buy the goods whenever they require.

(VIII) Improves Standard of Living: Retailers help customers to increase their standard of living by making available all the latest types of goods produced.

(IX) Sale of Perishable Goods: Perishable goods like milk, meat, fish, vegetables, etc. require quick distribution. Hence, retailer provides this facility as per customers requirement.

(B) Services of Retailers to Wholesaler:

(I) Create demand: Retailers attract consumers' attention towards new products and arrivals in the market through personal salesmanship.

(II) Helps to Distribute: Retailer helps distributing perishable goods which are having short life. He also performs assembling, grading and packing function.

(III) Marketing: Retailers sometimes carry marketing function for the wholesalers i.e. handling transportation, solving shortage problems, advertise goods, etc.

(IV) Financing: Wholesaler collects order from customers and take advances from them. Then places order so that finally it reaches the manufacturer. Retailer collects sales proceeds from customer and passes it to the Wholesaler and finally it reaches the Manufacturer.

(V) Attracts Consumers: Retailer makes an advertising of goods by displaying in the showroom and thus promote sales. This activity directly helps the wholesaler to sell the product.

(VI) Provides Information: Retailer provides information to the wholesaler regarding market and demand of goods by the customers, likes and dislikes of customers, etc.

Exercise 7 | Q 6 | Page 45

Answer the following:

Define import trade. Explain its procedure in detail.

SOLUTION

Import trade refers to buying of goods and services from another country or countries i.e. a foreign country. The procedure of import trade varies from one country to another country depending upon the policy implemented in that country. Import of goods and services is controlled by the government in most of the countries India follows the following import procedure, which is divided into four stages.

[A] 1st Stage: Preliminary Stage:

1) Registration: In order to carry out import, the importer has to get himself registered with the authorities given below:

(I) Director General Foreign Trade (DGFT) in order to get an Import-Export Certificate Number

(II) The Income Tax department to obtain Permanent Account Number.

(III) To carry out GST formalities.

2) Negotiation or Trade enquiry: The importer must collect information from overseas suppliers regarding the goods he wants to import of a product. It contains details like (a) Price (b) Delivery schedule, (c) Credit period and (d) Terms and conditions of sale, payment and delivery.

[B] 2nd Stage: Pre import Stage:

(I) Import License / Quota Certificate: The Export Import (EXIM) Policy of our country indicates which goods need license for import and which can be imported freely. For goods that require a license, the importer should get a quota certificate and acquire the license. At the time of importing goods, the IEC number is to be mentioned.

(II) Foreign Exchange Clearance: The exporter has to be paid in foreign exchange by the importer as he resides in a foreign country. For this the Indian currency has to be exchanged for foreign currency. This is done by Exchange Control Department of the Reserve Bank of India (RBI). The importer has to get the foreign exchange sanctioned. For this he applies in a prescribed form to a bank authorised by RBI. After scrutiny of the documents, the necessary foreign exchange is sanctioned.

(III) Placing an Order: Once the foreign exchange clearance is obtained from RBI the importer places an import order with the exporter for supply of goods. This order contains information on all aspects relating to the goods to be imported. These include quality, quantity, size, grade, price, packing and shipping, ports of shipment, insurance, delivery schedule and modes of payment. This order is called as indent.

(IV) Letter of Credit: If the exporter agrees to a letter of credit, then the importer obtains it from his bank and forwards it to the exporter. It minimises the risk of non-payment for the exporter. At the same time the importer should arrange for sufficient funds to be paid on delivery of the goods.

(V) Clearing and Forwarding Agent: The importer then appoints C & F agent to look after the various customs formalities and documentation work. With respect to import of goods.

(VI) Shipment Advice: Once the goods are loaded on the vessel, the exporter sends a shipment advice to the importer. This document contains details about the goods, invoice number, bill of lading and name of the vessel, the port of export and date of sailing of the vessel. This will help the importer for custom clearance and unloading of goods.

[C] Stage: Import Stage:

(I) Receipt of Document: The importer receives the documents sent by the exporter through his bank. They are as follows Bill of Lading, Certificate of Origin, Certificate of Inspection, Packing List, Commercial Invoice, etc.

(II) Bill of Entry: The clearing and forwarding agents, then prepare a bill of entry. This bill is presented to the dock superintendent for release of goods. The bill of entry has details like number of packages, quality of good and price of goods.

(III) Delivery Order: For taking delivery of the goods a delivery order is needed. This is obtained from the shipping company by the C & F agent. Once this is received the freight charges are paid and goods are allowed to be unloaded from the ship.

(IV) Customer Clearance: The importer has to present the Bill of Lading, Bill of Entry and Packing List to the customer authority who will certify it and give customs clearance.

[D] 4th stage: Posts Import Stage:

Various duties have to be paid in order to take the goods out of port are:

(I) Port Trust Dues: The clearing and forwarding agent has to make the payment of

port trust dues.

(II) Customer Duty: Also paid by the clearing and forwarding agent to the custom authorities.

(III) Insurance Premium: Under the FOB (Free of Board) impact, the importer has to make the payment of Insurance Premium.

(IV) Payment of Freight: The shipping contract will lay down the amount of freight to be paid and it has to be paid by the importer for getting clearance of goods.

(V) Exporters Payment: The exporter draws a bill of exchange on the importer according to the terms and conditions of the contract.

(VI) Follow Up: It is the duty of the importer to take a follow up of the goods. If there are any discrepancies in the Order or goods it has to be intimated to the exporter. Thus, the procedure of importing goods comes to an end.

Exercise 7 | Q 7 | Page 45

Answer the following:

What is export trade? Explain its procedure in detail.

SOLUTION

Trade between two countries is called International Trade. It can be import or export trade. Export trade refers to selling of goods and services to other country or foreign countries Export procedure is as follows:

There are four stages which help in simplify the export procedure.

[A] Preliminary Stage: This is the first stage which includes the following steps.

1) Registration: The exporter gets himself registered with various authorities in order to conduct export trade like

(I) Director General of Foreign Trade In order to obtain Import Export Certificate Number

(II) Income Tax Authority to obtain Permanent Account Number.

(III) Export Promotion Council (EPC) and GST authority.

2) Appointment of Agent: The exporters are supposed to appoint an agent in the foreign country who will look after the order or book order for the exporter.

[B] Pre-shipment Stage:

(I) Receipt of Order: When the exporter receives an order he has to check the details of the order. He also check the restriction of import in the importer's country.

(II) Letter of Credit: The exporter has to obtain a letter of credit from the importer, which is used to clear the foreign exchanges and other restrictions.

(III) Pre-shipment Finance: The exporter has to meet his working capital needs and for that he has to obtain the pre-shipment finance from his bankers.

(IV) Production of goods: If the exporter is a manufacturer, then he has to produce the goods according to the order placed by the importer, otherwise he has get the necessary goods arranged from his suppliers.

(V) Packaging: Packaging plays a very important role in export business. Goods have to be packed as per the requirement of the importer and it should protect the goods in transit, preserve the quality of goods and carry out promotion of goods.

(VI) ECGC Cover (Export Credit and Guarantee Corporation): In order to protect the goods and cover the credit risks, the exporter must obtain an cover of ECGC. The ECGC covers the risk upto 90%, if the importer fails to make the payment.

(VII) GST formalities (Goods and Service Tax): All formalities regarding GST must be complied With by the exporter.

(VIII) Marine Insurance: For exporting the goods, it is mandatory for the exporter to take a marine insurance policy for the goods exported. This insurance is under CIF (Cost,

Insurance and freight) contract.

(IX) Clearing and Forwarding Agents (C & F agents): The exporter has to appoint a clearing and forwarding agent to carry out the necessary formalities of customs. They are also called custom house agents.

[C] Shipment Stage:

(I) Processing of Document: The exporter prepares the shipping bill and gets all the documents Processed at the customs house as required for the export of good

(II) Examination of Goods: The clearing and forwarding agents obtain a document called carting order from the Port Trust Authorities, which allows the exporter to take the goods inside the dock area

(III) Loading of Goods: On examination of the goods, the 'Customs Examiner' issues order called Let Export order. This is given to the clearing and forwarding agent by the 'Customers Preventative Officer (CPO)'. The goods are then loaded on the ship and the captain of the ship issue a receipt called the 'Mates Receipt'. Then the C & F agent obtain the Bill of Lading.

[D] Post-shipment Stage:

(I) Shipment Advice: On the dispatch of the goods, the exporter sends shipment advice to the importer Along with it, he also sends the packaging list, commercial invoice and non-negotiable copy of loading.

(II) Presentation of Documents: The necessary documents are presented to the bank for negotiation and realisation of export proceeds.

(III) Realisation of Export incentive: Various incentive like duty drawbacks refunds of GST if paid etc. is given to the exporter by the concerned authorities.

(IV) Follow up: Exporter has to follow up and find out the buyers reaction on the goods he receives This concludes the export procedure.