

Class XI BUSINESS STUDIES
CHAPTER -10 Internal Trade
IMPORTANT QUESTIONS

MULTIPLE CHOICE QUESTIONS (1 MARKS)

Question 1

Differentiate between street trader and street shops

Answer

Street traders: Retailers who are commonly found at places where huge floating population gathers, for example, near railway stations and bus stands, and sell consumer items of common use, such as stationery items, eatables, readymade garments, newspapers and magazines

Street stall holders: They attract floating customers and deal mainly in goods of cheap variety like hosiery products, toys, cigarettes, soft drinks, etc. They get their supplies from local suppliers as well as wholesalers. The total area covered by a stall is very limited and, therefore, they handle goods on a very small scale.

Question 2

What do you mean by a Cheap jack type of retail trade?

Answer

Retailers who have independent shops of a temporary nature in a business locality. They keep on changing their business from one locality to another, depending upon the potentiality of the area. They deal in consumer items as well as services such as repair of watches, shoes, buckets etc.

Question 3

State any two advantages of supermarkets

Answer

- Keep a wide variety of goods of different designs, colour, etc., which enables the buyers to make better selection
- Sales are made on cash basis, there are no bad debts

Question 4

Define Internal Trade

Answer

Buying and selling of goods and services within the boundaries of a nation are referred to as internal trade. Characteristic of Internal Trade are Buying and selling takes place in home country, there payment made or received in-home country with few formalities to be fulfilled by traders.

Question 5

List the two broad categories of trade.

Answer

Internal trade can be classified into two broad categories : (i) wholesale trade (ii) retail trade

Question 6

Which shops deal in specific line products

Answer

Speciality shops

Instead of selling a variety of products of different types, these retail stores specialise in the sale of a specific line of product. The speciality shops are generally located in a central place where a large number of customers can be attracted, and they provide a wide choice to the customers in the selection of goods

Question 7

Give two examples of chain stores

Answer

Walmart and Body shop are two examples of chain stores

Question 8

Mail order Houses provide a lot of convenience to the customers, yet they are not very popular, why? Give one reason.

Answer

Mail order Houses provide a lot of convenience to the customers, yet they are not very popular because it requires heavy expenditure on promotion of products

Question 9

What are Vending Machines? Which type of goods are suitable for vending machines?

Answer

Coin operated vending machines are proving useful in selling several products such as hot beverages platform tickets, milk, soft drinks, chocolates, newspaper, etc., in many countries. Vending machines can be useful for selling pre-packed brands of low priced products which have high turnover and which are uniform in size and weight. However, the initial cost of installing a vending machine and the expenditure on regular maintenance and repair are quite high

Question 10

Distinguish between a wholesaler and retailer. Give only one point of difference

Answer

Wholesaler is one who sell goods to retailers and other merchants, and/or to industrial, institutional and commercial users but who do not sell in significant amount to ultimate consumers

A retailer is a business enterprise that is engaged in the sale of goods and services directly to the ultimate consumers

Question 11

Sandeep& Sons, Delhi orders pearl jewellery from Nasir Bros, Hyderabad.They enter into a contract and makes certain that the payment will be made only on receiving the goods at Delhi in their Shop. Identify the term of trade in the above example.

Answer

VERY SHORT AND SHORT ANSWER QUESTIONS (2 OR 3 MARKS)

Question 1

Discuss services of retailer to manufacturer and wholesaler.

Answer

Help in distribution of goods	Provide help in the distribution of their products by making these available to the final consumers, who may be scattered over a large geographic area. They thus provide place utility
Personal selling	By undertaking personal selling efforts, the retailers relieve the producers of this activity and greatly help them in the process of actualising the sale of the products
Enabling large-scale operations	Enables them to operate on, at relatively large scale, and thereby fully concentrate on their other activities
Collecting market information	Retailers serve as an important source of collecting market information about the tastes, preferences and attitudes of customers which is useful in taking important marketing decision
Help in promotion	Manufacturers and distributors have to carry on various promotional activities in order to increase the sale of their products. Retailers participate in these activities and promotes sales of products

Question 2

Identify the type of itinerant trader from the following:

- a) Traders who open their shop on fixed day.**
- b) Petty retailer who have temporary independent shops.**
- c) Traders commonly found in populated area.**

Answer

- a) Traders who open their shop on fixed day:

Market traders: The small retailers who open their shops at different places on fixed days or dates. They are mainly catering to lower-income group of customers and deal in low-priced consumer items of daily use

- b) Petty retailer who have temporary independent shops:

Cheap jacks: Retailers who have independent shops of a temporary nature in a business locality. They keep on changing their business from one locality to another, depending upon the potentiality of the area. They deal in consumer items as well as services such as repair of watches, shoes, buckets etc.

- c) Traders commonly found in populated area:

Street traders: Retailers who are commonly found at places where huge floating population gathers, for example, near railway stations and bus stands, and sell consumer items of common use, such as stationery items, eatables, readymade garments, newspapers and magazines

Question 3

Jyoti has shifted residence in a new settlement colony. There are no retail shops nearby. What difficulties will Jyoti face in above case?

Answer

Difficulties faced by Jyoti in above cases are listed below:

1. She will not enjoy the benefit of regular availability of products as and when needed.
2. She will not get updated of the new products launched in the market.
3. She will face inconvenience because for each and every thing she need to go far
4. She will not get wide variety of choice of product under one roof
5. She will not enjoy the benefit of after sale services like home delivery.
6. She will not enjoy the facility of credit

Question 4

Identify the types of retailers in the following statements:

(a) Rohan displays his goods on bus-stands or pavements.

(b) Mangal sells goods from one street to another, from one locality to another.

(c) Rajkumar sells only school uniforms.

(d) Deepanshu deals only in second hand books.

Answer

(a) Rohan displays his goods on bus-stands or pavements:

Street traders: Retailers who are commonly found at places where huge floating population gathers, for example, near railway stations and bus stands, and sell consumer items of common use, such as stationery items, eatables, readymade garments, newspapers and magazines

(b) Mangal sells goods from one street to another, from one locality to another:

Peddlers and hawkers: They are small producers or petty traders who carry the products on a bicycle, a hand cart, a cycle-rickshaw or on their heads, and move from place to place to sell their merchandise at the doorstep of the customers. They generally deal in non-standardised and low-value products

(c) Rajkumar sells only school uniforms:

Speciality shops: Instead of selling a variety of products of different types, these retail stores specialise in the sale of a specific line of product. The speciality shops are generally located in a central place where a large number of customers can be attracted, and they provide a wide choice to the customers in the selection of goods

(d) Deepanshu deals only in second hand books:

Second-hand goods shop: These shops deal in second-hand or used goods, like books, clothes, automobiles, furniture and other household goods. The shops, selling second-hand goods may be located at street crossings or in busy streets in the form of a stall having very little structure — a table or a temporary platform to display the books or may have reasonably good infrastructure, as in the case of those selling furniture or used cars or scooters or motorcycles

Question 5

A manufacturing Co. manufacturing cloth open shops at different locations in India. He sells goods on cash only. The shops have identical decorations. The prices of goods are fixed. In this way they eliminate unnecessary middleman thus benefiting the consumers.

(a) Identify the type of shop referred to.

(b) Elaborate characteristics of such shops

Answer

(a) This is a Chain store or Multiple shop. Chain stores are A number of shops with similar appearance are established in localities, spread over different parts of the country. These different shops normally deal in standardised and branded consumer products, which have rapid sales turnover. These shops are run by the same organisation and have identical merchandising strategies, with identical products and displays

(b) Characteristics of Chain Stores are as follows:

- These shops are located in fairly populous localities, where sufficient number of customers can be approached
- Centralised at the head office, from where the goods are despatched to each of these shops
- Shop is under the direct supervision of a Branch Manager, who is held responsible for its day to-day management
- Controlled by the head office, which is concerned with formulating the policies and getting them implemented
- The prices of goods in such shops are fixed and all sales are made on cash basis

Question 6

Vishal buys goods in larger quantities and sells them to small businessmen.

(a) Which type of trader in Vishal?

(b) State services to Consumer of this type of trade.

Answer

(a) Vishal is a Retail trader. A retailer is a business enterprise that is engaged in the sale of goods and services directly to the ultimate consumers. The retailer normally buys goods in large quantities from the wholesalers and sells them in small quantities to the ultimate consumers. Arranges for proper storage of goods, sells the goods in small quantities, bears business risks, grades the products, collects market information, extends credit to the buyers and promotes the sale of products through displays, participation in various schemes, etc. The retail represents the final stage in the distribution where goods are transferred from the hands of the manufacturers or wholesalers to the final consumers or users

(b)

Regular availability of products	Maintain regular availability of various products produced by different manufacturers. This enables the buyers to buy products as and when needed
New products information	Arranging for effective display of products and through their personal selling efforts, retailers provide important information about the arrival, special features, etc., of new products to the customers
Convenience in buying	They sell goods in small quantities and are situated very near to the residential areas and remain open for long hours. This offers great convenience to the customers in buying products of their requirements.
Wide selection	Keep stock of a variety of products of different manufacturers. This enables the consumers to make their choice out of a wide selection of goods
After-sales services	Provides after-sales services in the form of home delivery, supply of spare parts and attending to customers
Provide credit facilities	Provide credit facilities to their regular buyers. This enables the latter to increase their level of consumption

Question 7

Mention differences between departmental store and multiple shops.

Answer

BASIS	DEPARTMENTAL STORES	MULTIPLE SHOPS
LOCATION	Central Place	Where Large customer approach
RANGE OF PRODUCTS	Wide range of products	Specified range of products
SERVICES OFFERED	Maximum service to customer	Limited service to customer
PRICING	No uniform pricing policy	Uniform pricing policy

CLASS OF CUSTOMER	Cater to High income group	Cater to different types of customers
CREDIT FACILITY	Credit facility is availed	Only Cash basis
FLEXIBILITY	Flexibility in respect to line of goods marketed	Not much scope of flexibility

Question 8

Explain the features of Departmental store

Answer

- Provide maximum service to higher class of customers for whom price is of secondary importance
- Located at a central place in the heart of a city, which caters to a large number of customers.
- As the size of these stores is very large, they are generally formed as a joint stock company managed by a board of directors
- A departmental store combines both the functions of retailing as well as warehousing
- They have centralised purchasing arrangements and sales are decentralised in different departments

Question 9

Enumerate the limitation of Multiple shops

Answer

- They do not sell products of other manufacturers. In that way the consumers get only a limited choice of goods
- looking up to the head office for guidance on all matters, and takes away the initiative from them to use their creative skills to satisfy the customers
- Lack of initiative in the employees sometimes leads to indifference and lack of personal touch in them.
- The management may have to sustain huge losses because of large stocks lying unsold at the central depot

Question 10

Explain two features, merits and limitations of super market

Answer

Features

- Generally carries a complete line of food items and groceries, in addition to non-food convenience goods
- Different products as per their requirements under one roof

Merits

- Sales are made on cash basis, there are no bad debts
- Benefits of large scale buying and selling because of which its operating costs are lower

Limitations

- No credit facilities restricts the purchasing power of buyers
- The principle of selfservice is followed therefore, do not get any personal attention

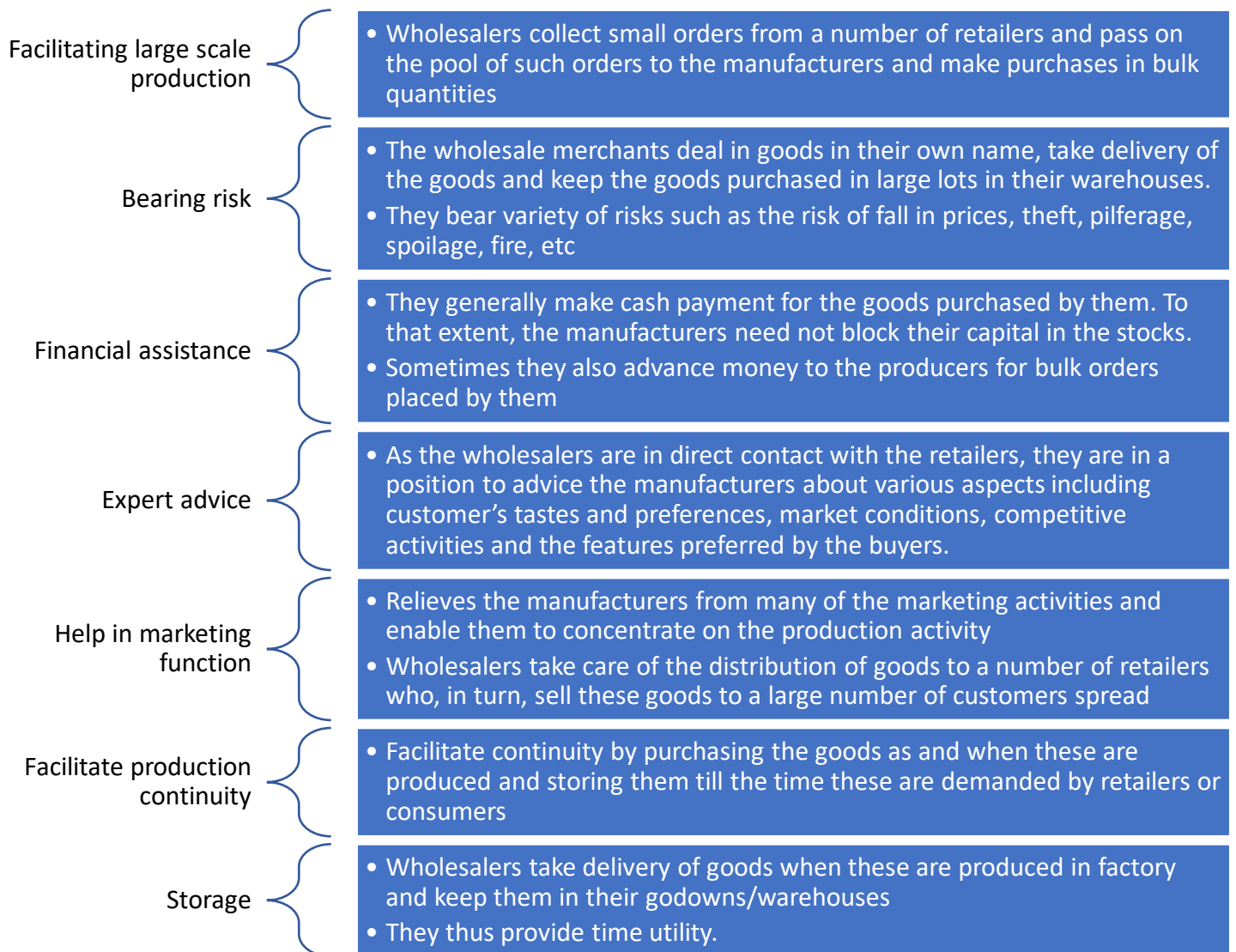
LONG ANSWER QUESTIONS (5 OR 6 MARKS)

Question 1

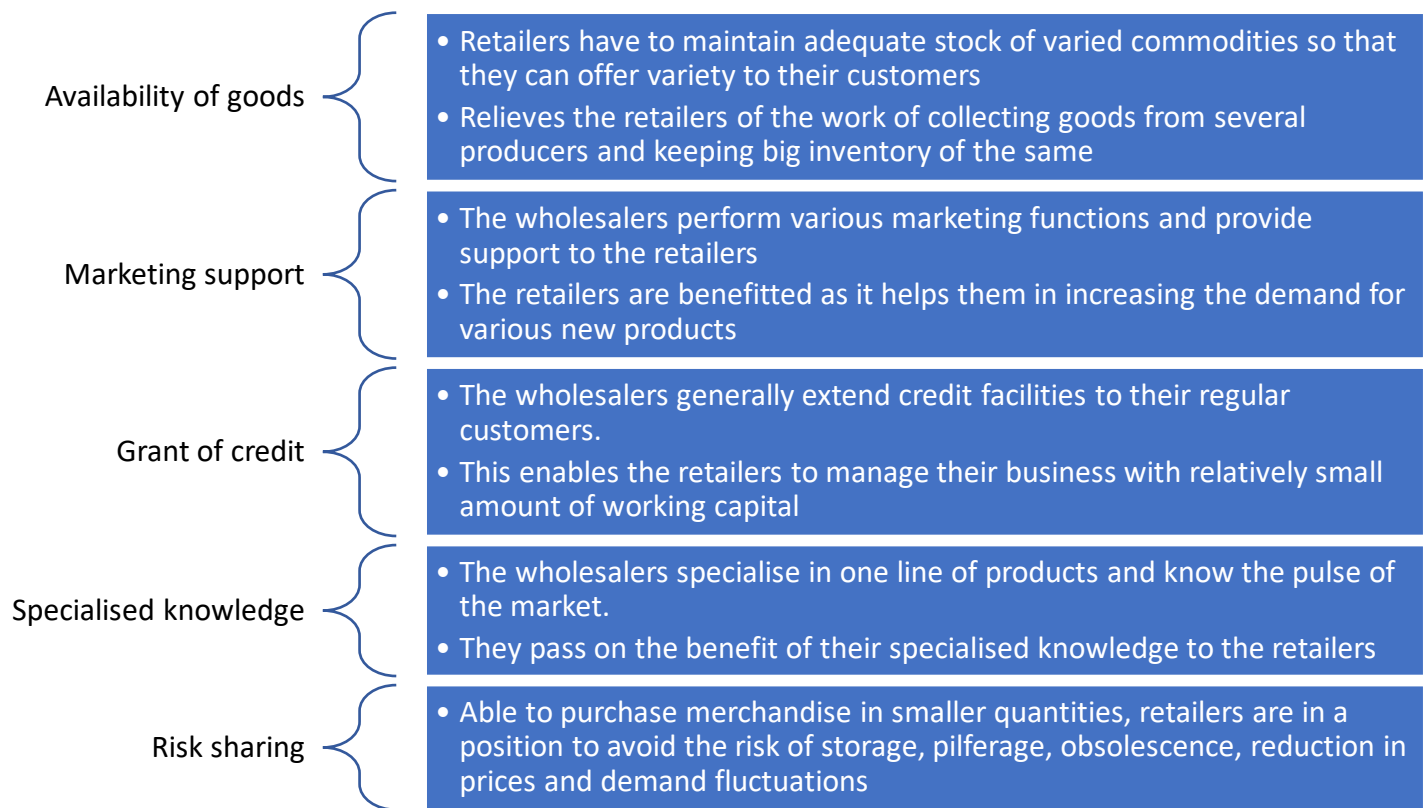
Discuss the services of a wholesaler to the manufacturer and retailer.

Answer

Services to Manufacturers



Services to Retailers



Question 2

Why are consumer cooperative stores considered to be less expensive? What are their relative advantages over other large scale retailer?

Answer

A consumer cooperative store is an organisation owned, managed and controlled by consumers themselves. The objective of such stores is to reduce the number of middlemen who increase the cost of produce, and thereby provide service to the members. The cooperative stores generally buy in large quantity, directly from manufacturers or wholesalers and sell them to the consumers at reasonable prices. The profits earned by consumer cooperative stores during a year are utilised for declaring bonus to members and for strengthening the general reserves and general welfare funds or similar funds for social and educational benefits of the members. This is why consumer cooperative stores considered to be less expensive

Advantages of Consumer cooperative stores over large scale retailers are as below:

- Easy to form a consumer cooperative society
- The liability of the members in a cooperative store is limited to the extent of the capital contributed by them

- It has democratic management. Each member has one vote, irrespective of the number of shares held by him/her
- Elimination of middlemen results in lower prices for the consumer goods to the members
- The consumer cooperative stores normally sell goods on cash basis
- The consumer cooperative stores are generally opened at convenient public places where the members and others can easily buy the product

Question 3

Discuss the features of fixed shop retailers? Explain different types of fixed shop small retailers?

Answer

Retail shops who maintain permanent establishment to sell their merchandise are called as fixed shop retailers. They, therefore, do not move from place to place to serve their customers

Characteristics:

- Greater resources and operate on a relatively large scale
- Deal in different products, including consumer durables as well as nondurables
- Greater credibility in the minds of customers

Types of Fixed Shop Small Retailers

- **General stores**
These shops carry stock of a variety of products required to satisfy the day-to-day needs of the consumers residing in nearby localities. They remain open for long hours at convenient timings and often provide credit facilities to some of their regular customers
- **Speciality shops**
Instead of selling a variety of products of different types, these retail stores specialise in the sale of a specific line of product. The speciality shops are generally located in a central place where a large number of customers can be attracted, and they provide a wide choice to the customers in the selection of goods
- **Street stall holders**
They attract floating customers and deal mainly in goods of cheap variety like hosiery products, toys, cigarettes, soft drinks, etc. They get their supplies from local suppliers as well as wholesalers. The total area covered by a stall is very limited and, therefore, they handle goods on a very small scale.
- **Second-hand goods shop**
These shops deal in second-hand or used goods, like books, clothes, automobiles, furniture and other household goods. The shops, selling second-hand goods may be located at street crossings or in busy streets in the form of a stall having very little structure — a table or a temporary

platform to display the books or may have reasonably good infrastructure, as in the case of those selling furniture or used cars or scooters or motorcycles

Question 4

Discuss the features of Mail order houses? State their merits and limitations?

Answer

- Mail order houses are the retail outlets that sell their merchandise through mail.
- There is generally no direct personal contact between the buyers and the sellers in this type of trading.
- For obtaining orders, potential customers are approached through advertisements in newspapers or magazines, circulars, catalogues, samples and bills, and price lists sent to them by post
- On receiving the orders, the items are carefully scrutinised with respect to the specifications asked for by the buyers and are complied with through the post office
- There can be different alternatives for receiving payments.
 - First, the customers may be asked to make full payment in advance.
 - Second, the goods may be sent by Value Payable Post (VPP). Under this arrangement, the goods are sent through post and are delivered to the customers only on making full payment for the same.
 - Third, the goods may be sent through a bank, which is instructed to deliver the articles to the customers. In this arrangement there is no risk of bad debt
- Only the goods that can be (i) graded and standardised, (ii) easily transported at low cost, (iii) have ready demand in the market, (iv) are available in large quantity throughout the year, (v) involve least possible competition in the market and (vi) can be described through pictures etc., are suitable for this type of trading

Merits

- It can be started with relatively low amount of capital
- Unnecessary middlemen between the buyers and sellers are eliminated.
- They do not extend credit facilities to the customers, there are no chances of any bad debt
- Wide scope for business as a large number of people throughout the country can be served through mail.
- Goods are delivered at the doorstep of the customers

Limitations

- There is no personal contact between the buyers and the sellers under the system of mail order selling, there are greater possibilities of misunderstanding and mistrust
- There is heavy expenditure on promotion of the products
- There is absence of after sales services which is so important for the satisfaction of the customer
- They do not provide credit facilities
- Greater possibility of abuse to dishonest traders to cheat the customers by making false claims about the products or not honouring the commitments
- Depends heavily on the availability of efficient postal services at a place

Question 5

Uma a village girl comes to Delhi to visit her relatives. She goes with her cousin to a shop, which is centrally located. She becomes astonished by varieties of goods which are sold here.

(a) Identify this type of shop.

(b) Quoting lines from the above paragraph describe two characteristics of the shop.

(c) Explain advantages of such shops.

Answer

(a) A departmental store is a large establishment offering a wide variety of products, classified into well defined departments, aimed at satisfying practically every customer's need under one roof. It has a number of departments, each one confining its activities to one kind of product

(b) Characteristics of Departmental Stores are as follows:

1. Located at a central place in the heart of a city, which caters to a large number of customers.
2. Offering large variety of goods under one roof

(c) Advantages of Departmental Stores are as follows:

- As located at central places, they attract a large number of customers

- Offering large variety of goods under one roof
- Aims at providing maximum services to the customers
- Organised at a very large scale, the benefits of large scale operations, particularly, in respect of purchase of goods are available to them
- Considerable amount of money on advertising and other promotional activities, which help in boosting their sales

Question 6

Nirmala orders a mixer on the basis of an advertisement in a newspaper specifying the features, price, delivery terms. It specified that the terms of payment will be VPP only.

(i) Identify this type of retail business.

(ii) Explain two advantages and two limitations of them.

Answer

(i) Mail order houses are the retail outlets that sell their merchandise through mail. There is generally no direct personal contact between the buyers and the sellers in this type of trading. For obtaining orders, potential customers are approached through advertisements in newspapers or magazines, circulars, catalogues, samples and bills, and price lists sent to them by post. On receiving the orders, the items are carefully scrutinised with respect to the specifications asked for by the buyers and are complied with through the post office. The goods may be sent by Value Payable Post (VPP). Under this arrangement, the goods are sent through post and are delivered to the customers only on making full payment for the same.

(ii) Advantages:

- It can be started with relatively low amount of capital
- Unnecessary middlemen between the buyers and sellers are eliminated.

Disadvantages:

- There is no personal contact between the buyers and the sellers under the system of mail order selling, there are greater possibilities of misunderstanding and mistrust
- Depends heavily on the availability of efficient postal services at a place

Question 7

A London based manufacturing co. manufacturing washing machines wish to add 2 new products in India namely AC's and Refrigerators. Out of a lot of 10 applicants the co. chose two wholesale firms (headed by females) whose proposals were very competitive and attractive. The wholesaler firm of AC's hired the services of a (differently able retailer) Hari at competitive prices to sell AC's in Delhi,

Hari informs his wholesaler firm's head that the consumers of Delhi wish that their houses are cold when they reach their homes in the scorching heat of Delhi.

(a) Explain three services rendered by retailers to wholesalers or manufacturers.

(b) Identify two values which are being adhered to in the above paragraph

Answer

(a) Three services rendered by retailer to wholesalers or manufacturers are as follows:

Help in
distribution of
goods

Provide help in the distribution of their products by making these available to the final consumers, who may be scattered over a large geographic area. They thus provide place utility

Personal selling

By undertaking personal selling efforts, the retailers relieve the producers of this activity and greatly help them in the process of actualising the sale of the products

Enabling large-
scale operations

Enables them to operate on, at relatively large scale, and thereby fully concentrate on their other activities

(b) Values which are being adhered to are:

1. Women Empowerment: The company chose two wholesale firms (headed by females) whose proposals were very competitive and attractive which helped in the empowerment of women.
2. Social Concern: The wholesaler firm of AC's hired the services of a (differently able retailer) Hari

Question 8

Briefly explain the role of commerce in promoting internal trade?

Answer

Interstate movement of goods	The Chambers of Commerce and Industry help in many activities concerning inter state movement of goods which include registration of vehicles, surface transport policies, construction of highways and roads
Octroi and other local levies	These are collected on the goods and from people entering the state or the municipal limits. The Chambers of Commerce try to ensure that their imposition is not at the cost of smooth transportation and local trade
Harmonisation of sales tax structure and Value Added Tax	The sales tax is an important part of the state revenue. A rational structure of the sales tax and its uniform rates across states, are important for promoting a balance in trade
Marketing of agro products and related issues	Streamlining of local subsidies and marketing policies of organisations selling agro products are some of the areas where the Chambers of Commerce and Industry can really intervene and interact with concerned agencies like farming cooperatives
Weights and Measures and prevention of duplication brands	Laws relating to weights and measures and protection of brands are necessary to protect the interest of the consumers as well as the traders. These need to be enforced strictly
Excise duty	Central excise is the chief source of the government revenue levied across states by the central government. The excise policy plays an important role in pricing mechanism
Promoting sound infrastructure	The Chambers of Commerce and Industry hold discussions with government agencies for investments into infrastructure projects
Labour legislation	A simple and flexible labour legislation is helpful in running industries maximising production and generating employment. The Chambers of Commerce and Industry and the government are constantly interacting on issues with government