



SUMMER-15 EXAMINATION

Subject Code: **0815**

Model Answer

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Important Instructions to examiners:

- 1) The answers should be examined by key words and not as word-to-word as given in the model answer scheme.
- 2) The model answer and the answer written by candidate may vary but the examiner may try to assess the understanding level of the candidate.
- 3) The language errors such as grammatical, spelling errors should not be given more Importance (Not applicable for subject English and Communication Skills).
- 4) While assessing figures, examiner may give credit for principal components indicated in the figure. The figures drawn by candidate and model answer may vary. The examiner may give credit for any equivalent figure drawn.
- 5) Credits may be given step wise for numerical problems. In some cases, the assumed constant values may vary and there may be some difference in the candidate's answers and model answer.
- 6) In case of some questions credit may be given by judgement on part of examiner of relevant answer based on candidate's understanding.
- 7) For programming language papers, credit may be given to any other program based on equivalent concept.



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Question No. 1. Attempt any EIGHT:

(16 marks)

a) Define : (1 Mark Each)

i) Industry : Industry refers to that part of business activity which relates to production, processing or fabrication of products.

ii) Management: Management is the art and science of organizing and directing human efforts applied to control the forces and utilize the materials of nature for benefit of man.

OR

Management is principally a task of planning, coordinating, motivating and controlling the efforts of others towards a specific objective.

OR

It is an art of securing maximum results with minimum efforts to gain maximum prosperity & happiness for employee & employer & also to provide best services to the public.

b) State various middlemen in Trade. (1 mark for basic types and 1 mark for further classification)

1) Functional Middlemen:

- a) Brokers
- b) Commission agents
- c) Auctioneers
- d) Del. Credere agents

2) Merchant Middlemen –

- a) Whole Sellers
- b) Retailers

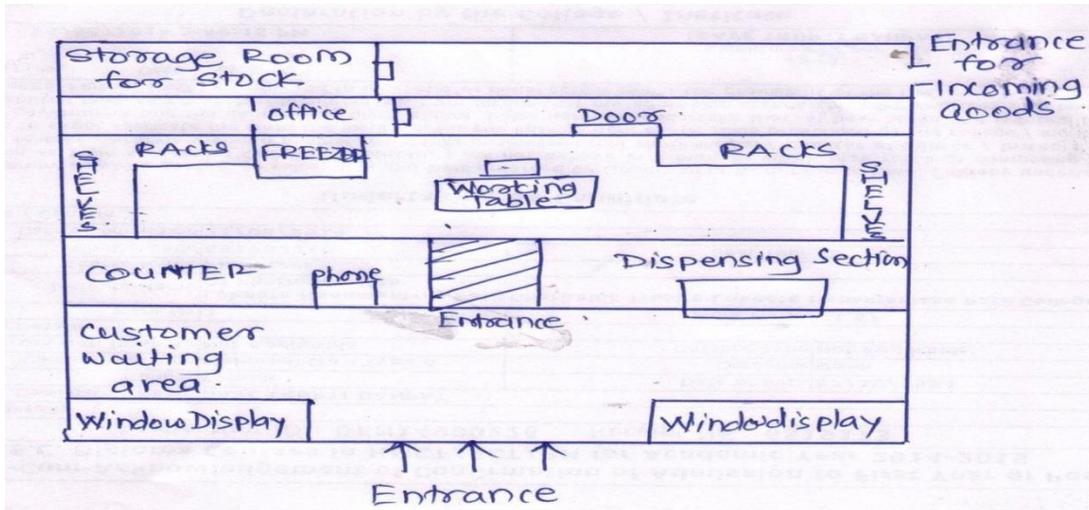
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c) Draw a Typical layout of retail drug store.(2 marks)



d) State advantages and disadvantages of opening a drug store in rural area or small town.
(1 marks for any two advantages and 1 for any two disadvantages)

Advantages –

- 1) Less finance is required.
- 2) Small market area hence can get site in main market.
- 3) Potential customers can be easily found out.
- 4) Support for finance from various nationalized & Co – operative banks in form of soft loans.
- 5) Less competition
- 6) Rent is less as compared to urban areas.

Disadvantages –

- 1) Due to illiteracy people need to be instructed more about use of drug.
- 2) Very often customer asks for credit facility.
- 3) Due to low purchasing power, business on a small scale.



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e) Enlist Various Inventory control Techniques. (2 marks for eight techniques)

1. ABC analysis
2. Economic order quantity
3. Perpetual inventory system
4. Setting of various levels
5. Input – output ration analysis
6. Review of slow and non – moving items
7. Use of material budgeting.
8. Establishing an effective purchase procedure.

f) Define term sales promotion and state any four objectives of sales promotion. (Definition 1 mark and 1 mark for any four objectives)

Definition – Sales promotion means those marketing activities other than personal selling, advertising and publicity, that stimulate consumer purchasing.

Objectives –

1. To introduce new products
2. To attract new customers
3. To maintain old customers
4. To improve public image of the firm
5. To assist salesmen and the dealers
6. To popularize brand name of the product
7. to induce customers to purchase more items.

g) Define Bank and enlist various kinds of banks. ((Definition 1 mark and 1 mark for any four types)

Bank - A bank is a comprehensive term for a number of institutions carrying on certain kinds of financial business, dealing in money.

Various kinds of Banks –

1. Commercial Banks
2. Saving Banks



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3. Land Development Banks
4. Cooperative Banks
5. Industrial Banks
6. Exchange Banks
7. Mixed Banks

h) Advantages of budgetary control – (2 marks for four advantages.)

1. Budgetary control combines the idea of all levels of management in the preparation of budget.
2. It directs capital expenditure in most profitable manner.
3. Budgeting coordinates activities of various departments.
4. Responsibilities are fixed on individuals.
5. It ensures working capital & other resources for efficient operation of business.
6. It provides a yardstick.
7. It makes effective utilization of men, materials and machines.

i) Define Accounting and state any two objectives of accounting.

(1 mark Definition and 1 mark objective)

Definition –

Accounting may be defined as the process of identifying measuring, recording and communicating the economic events of an organization to the interest users of the information.

Objectives – 1. Maintain proper records of business.

2. Calculation of profit and loss.
- 3 Depiction of financial position
- 4 Availability of information to various internal & external users.

j) Enlist various Accounting concepts. (2 marks for any eight concepts)

Various Accounting concepts –

1. Entity concept
2. Dual aspect concept
- 3 Going concern concept
- 4 Accounting period concept
- 5 Money measurement concept



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- 6 Cost concept
- 7 Revenue realization concept
- 8 Matching concept
- 9 Verifiable objective evidence concept
- 10 Accrual concept

k) State any four advantages of perpetual inventory system. (2 marks for any four advantages)

Advantages –

1. It helps in detection & immediate rectification of errors.
2. It ensures a reliable checking of the store items.
3. Timely action can be taken on shortages.
4. It serves as moral check on staff.
5. Overstocking & under stocking is avoided.
6. Helps in completion of profit & loss account & balance sheet.

l) State various aspects to be covered during training of a pharmacist. (2 marks for any four aspects)

1. Rules & policies of the enterprises
2. Routine work of drug store such as, display of inventory, recording methods of sale, maintaining cash book, proper wrapping etc.
3. The technical knowledge of selling of product.
4. Dealing with customers who visit the drug store.
5. Highlights of new products should be known to pharmacist.
6. Handling of prescription.



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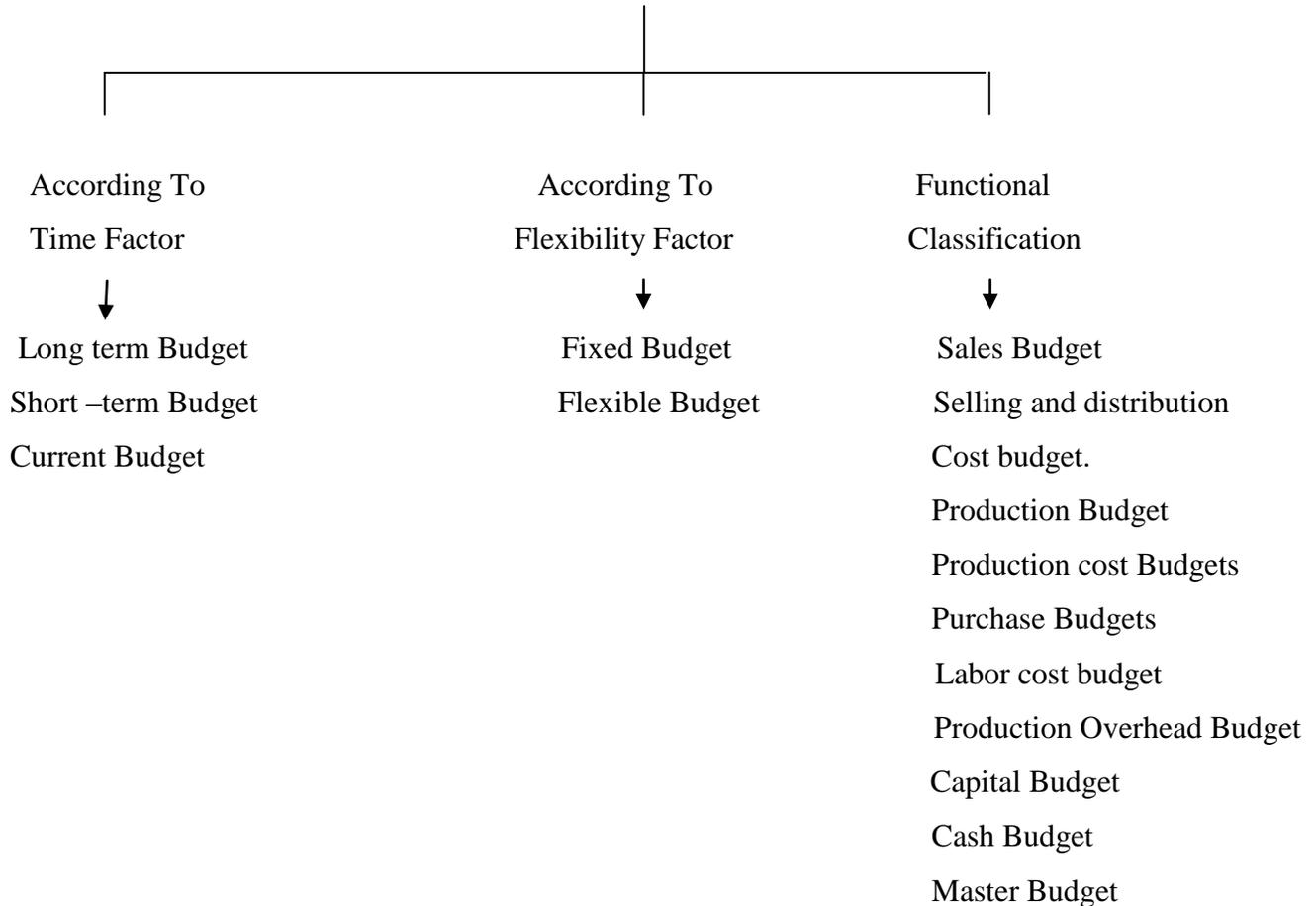
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Question No.2. Attempt any FOUR

(12 marks)

a) Give classification of Budget. (3 mark for Classification of Budgets)

CLASSIFICATION OF BUDGET



b) What are various sources of finance? (3 marks)

Basically there are two methods of raising capital for any business are

- a) Owned capital
- b) Loan capital

The sources of finance can be classified into three parts on the basis of duration for which it is required by the business.

- 1) **Long term finance:** It remains invested in the business for a considerably long period. It may be raised through following sources.
 - a) Shares- Preference shares and Ordinary shares
 - b) Debentures



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c) Ploughing back of profits

d) Financial institutions. It includes:

- 1) Industrial Finance Corporation of India (IFCI)
- 2) Industrial development Bank of India (IDBI)
- 3) Industrial Credit and investment Corporation of India (ICICI)
- 4) Industrial Reconstruction Bank of India (IRBI)
- 5) Unit Trust of India (UTI)

2) Medium Term finance:

- a) Shares- Preference shares and Ordinary shares
- b) Debentures
- c) Ploughing back of profits
- d) Financial institutions
- e) Public deposits
- f) Mortgages

3) Short term finance:

- a) Trade Credit
- b) Bank Credit
- c) Installment credit
- d) Customers advances.

c) Explain various types of trade. (1 mark basic types and 2 marks for its sub types)

1. Internal Trade

It is also called home trade and consists of sale and exchange of goods within the boundaries of a country. The internal trade is carried on the following basis-

- (a) Wholesale trade
- (b) Retail trade



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(a) Wholesale Trade:

This involves sale of goods in comparatively large quantity to those traders who supply to the retailers.

(b) Retail trade:

In this trade, the retailer supplies to the consumers in small quantities as per their need. A link between the whole/saler and the actual consumer.

2. International Trade or Foreign Trade or External trade

External trade means the exchange of goods and services between citizens, business firms or government of different countries. When goods are sold by one country to another the payments are required to be made in the currency of the country concerned. Foreign trade is conducted mostly on wholesale basis and is subdivided into-

- (a) **Import trade:** - When a trader of one country Purchase goods from the traders of other countries, it is called import trade.
- (b) **Export trade:** - when a trader of one country sells to the trader of other countries, this trade is called export trade.
- (c) **Entreport trade:**- when a trader purchases goods from one country and sells the same goods to another country, it is called entreport.

d) State and explain various types of partners in partnership form of business.

(1/2 mark for list of partners and any five types 2.5 marks)

Types of Partners:

1)Active or working partner: He takes an active part in the management of the firm's business and bears an unlimited liability for the debts of the firm. Like other partners, an active partner also contributor's capital to the firm.

2)Sleeping and inactive partner: A sleeping partner does not take any active part in the management of the firm's business. He, however, contributes capital and shares the profits/losses of the firm. His liability for the debts of the firm is unlimited.



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3) Nominal partner: He only lends his name to the firm as a partner. He however, neither invests any capital, nor claims any share in the profits of the business. His liability for the firm's debt is unlimited.

4) Partner in profit only: He invests his capital only with a view to earn a share in profits of the firm and has no liability as regards to any losses suffered by the firm. His liability for the firm's debt is, however unlimited.

5) Secret partner: A partner who does not want the fact of he is being a partner to be known to outsiders, is known as a secret partner. However, his liability for the firm's debts is unlimited.

6) Minor partner: A partner below the age of 18 being a minor, does not enjoy the rights of a full-fledged partner in a partnership firm since, in law, he is not competent to contract.



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e) Differentiate between a Departmental stores and a Multiple shop. (1/2 mark for each difference)

Departmental Stores:	Multiple Shops
1) They offer wide variety of product of various manufactures to satisfy the needs of customers.	They generally sell a particular type of product of particular manufacturer and Customers.
2) They do not have a uniform pricing system.	The prices are uniform in all branches
3) They are located in the center of the city so as to attract a large number of customers.	Multiple shops are established in various localities of the city for the convenience of customers.
4) These stores mainly cater to the needs of rich People and sell costly luxury goods.	They deal mainly in necessities and cater for general public
5) The control over the activities of a departmental store is easier.	It is difficult to have an effective control on all branches since the head office is generally at a far away place.
6) There is no uniformity in decoration of different departments of the departmental store.	There is uniformity of shop decoration and window display in all branches
7) They sell the goods both on cash and on credit basis.	They sell the goods only on cash basis
8) They provide a number of services and amenities.	There is no provision for services or amenities.



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f) Define the term advertising. Discuss various media for advertising.

(1 mark Definition ½ for each media)

Definition: Advertising is an art, used to familiarize public with the product by informing of its description, uses, its superiority over other brands, sources of its availability and price etc. It is the paid form of communication.

Media for Advertising:

- a) **Press advertisement-** newspapers and magazines
- b) **Literature advertisement** – letters, circulars, catalogues and leaflets.
- c) **External advertisement** – posters on walls and electronic display.
- d) **Miscellaneous advertisement** – T.V., radio, window display, cinema slides etc.

Q.3 Attempt any FOUR

(12 marks)

a) Explain various methods of codification of drugs in a drug store.(3 marks)

1) Alphabetical method

This is also known as letter code system. E.g. T represents tablet. Not suitable if large no. of items are present.

2) Mnemonic method

In this method code is given to items .e.g. AT represents aspirin tablets etc.

The main disadvantage is the materials cannot be recognized without the referring to code index.

3) Numerical method

This method is known as sequence system. Separate no. are given to different classes of items.

The new item is given the next higher no. in the sequence. This system involves use of , decimal system & block system.

a)Decimal system

In this system, the no. are assigned in such a manner that each digit represents sub group of previous digit. E. g. 15.1 represents paracetamol tablet where 15 is the analgesic group.

The main advantage is this system has capacity to expand & accommodate new items,

The main disadv. is it is cumbersome to use.

b)Block system

In this method the set of no. are reserved for specified classification. e.g. 100-300 allotted to tab.



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4) Combination system

In this the mnemonic & numerical methods are combined together. e.g. MT 100 is given to Meftal 250mg. tablets & MT 101 is given to Meftal 500mg.

b) What do you mean by EOQ? Enlist various methods of EOQ. Explain anyone.(1 mark for meaning, 1 mark for enlist, 1 mark for any one method)

It is Economic Order Quantity. This technique is used to find out how much of the inventory is to be ordered. The correct quantity to buy is the quantity at which the ordering cost and the inventory carrying cost will be minimum.

Methods for Determination of EOQ:

- 1) Tabular determination of EOQ
- 2) Graphic presentation of EOQ
- 3) Determination of EOQ by algebraic formula

1) Tabular determination of EOQ

A tabular arrangement of data relating to items of materials helps in the determination of an approximate EOQ. This arrangement may help the company to find out the orders that need to be placed weekly, monthly or yearly

Sr.No.	Numbers of orders per year	Annual ordering cost	Annual Inventory Carrying cost	Total Annual cost
1	12	48	8.33	56.33
2	6	24	16.66	40.66
3	4	16	25.00	41.00
4	3	12	33.33	45.33
5	2	8	50.00	58.00
6	1	4	100	104.00

For ex. The order cost is Rs.4 per order. Inventory carrying cost is 10% of the rupee value of annual usage. Rupee value of the annual usage is Rs. 1000. Hence EOQ is which has less total annual cost.e.g. sr. no. 2 in above table.

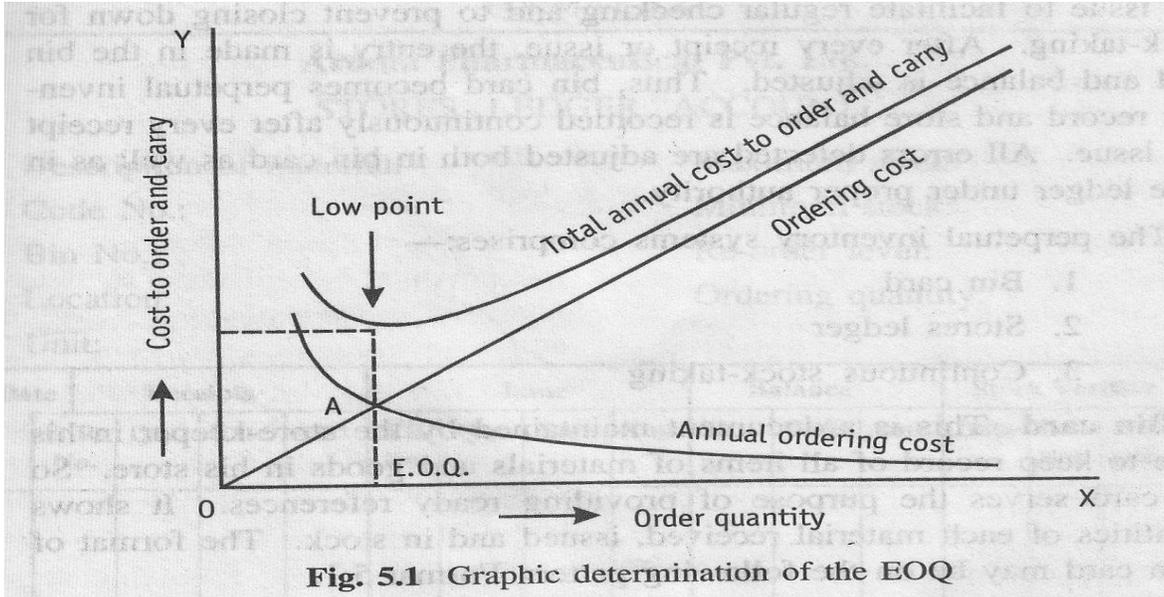
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2) Graphic presentation of EOQ



This graph is plotted between order quantity and cost to order and carry, The ideal point where the sum of both the costs is minimum, the point A is EOQ.

3) Determination of EOQ by algebraic formula

$$EOQ = \sqrt{\frac{2ab}{cs}}$$

a=Annual consumption

b=Buying cost per order

c=Cost per unit of material

s=Storage & other inventory carrying cost



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c) Discuss various methods of compensation of pharmacist.(each point 1/2mrks)

Compensation includes salary & other benefits such as house rent allowance, free residential accommodation, city compensatory allowance, medical allowance & other supplementary retirement benefits.

- 1) By giving adequate compensation amount:** The amount of compensation should be in proportion to the responsibility of his job.
- 2) By giving incentives:** The plan should stimulate the employees to find out the ways & means to make profitable drug sales over a long period.
- 3) By giving proportionate awards:** The pay of employee should be proportionate to the volume of sales made by him .
- 4) Providing flexible compensation plans:** The plan should be flexible enough to operate effectively throughout the year.
- 5) By giving promotions:** compensation should include promotion in pay & rewards for continuous long & devoted service.
- 6) providing uniform earning:** The plan should enable the employee to earn a reasonable uniform income in each month.

d)What are the limitations of Economics. (1 mark for each limitation)

- 1) It is not a complete study of all human activities, only those activities which are concerned with money are studied.
- 2) It studies the activities of only those human beings who are members of society
- 3) It studies the real activities of only those human beings & not the fictitious one
- 4) It is the measuring rod of money to asses' human motives. But this measuring rods lack accuracy. So it cannot measure accurately the human motives.



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e) Salient features of Co-operative society. (Each point 1/2mrks)

- 1) It is governed by co-operative society Act 1912, It is voluntary organization made by association of person not the capital.
- 2) Managing committee is formed by electing members of society which frame the policies and manage the affair of society
- 3) The capital of co-operative society is contributed by its members through purchase of minimum amount of share.
- 4) The shares of society cannot transferred by members to others, if the member wants to withdraw his capital he has to return the shares
- 5)The distribution of profit is not related to share capital contributed by each member even with a small capital contribution a member can receive relatively large share in profit if he had a large number of business transaction with society
- 6) It conducts business on cash basis & does not allow credit facility.
- 7) The surplus at the end of the year is not distributed as dividend but portion of the balance is utilized for the benefit of the members. A portion is paid as a bonus to the employee & remaining is distributed among the members depending upon the purchases from the society.

f) Explain importance of Window display for retail drug store. (Each point carries ½ mark)

Window display is one of the forms of advertisement because,

1. Window display acts as a silent salesman for promoting sales.
2. It is a good method of advertisement.
3. It attracts the customers or passersby.
4. It makes a drug store decorative & attractive.
5. It creates good impression on the customer when they enter the store.
6. It saves time of shop



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Q.4 Attempt any FOUR

(12 marks)

a) Explain the terms (1 mark for each term)

i) Debenture is a document or certificate issued by the company acknowledging loan & also gives an undertaking to repay the specified borrowed sum along with interest to the debenture holder on a prescribed date

ii) Ploughing back of profit – its means to reinvest the profit in the business. The profit earned by business organization is not distributed or only partially distributed among the ordinary shareholders or partners. The money which is saved in this manner is reinvested in the business (reserved fund)

iii) Cheque is an instrument in writing containing an unconditional order signed by the maker, directing a banker to pay, on demand, a certain sum of money only to, or the order of certain persons, or to the bearer of the cheque.

b) State advantages and disadvantages of Mail Order Business. (1.5mark for any three advantages and 1.5 marks for any three disadvantages)

Advantages:

- 1) It does not require a shop to start a business.
- 2) Requires a low capital
- 3) It is very useful for those customers who live in remote areas of the country.
- 4) There is no danger of bad debts, since the price of goods is received either in advance or collected from post office when goods are sent by V.P.P.
- 5) There is a direct link between manufacturer and customers.
- 6) The seller gets a very wide market to sell his products.

Disadvantages:

- 1) A buyer can not examine the goods before its purchase.
- 2) A large amount of money is spent on advertisement, correspondence, packing of goods which increases the overhead expenses and hence the price of goods.
- 3) The credit facility is not available to the customers.
- 4) There is a risk of damage of goods during transportation.
- 5) There is a lack of personal contact between manufacturer and customers so it is difficult to make permanent customers.



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6) The illiterate customers cannot get the benefit of this system.

7) There are chances of cheating by a dishonest trader.

c) Define tenders. Explain various types of tenders.(Definition for 1/2 mark, types of tender for 2.5 marks.)

Tender : A tender or quotation is a written offer to do the work or provide a material at a given price within a prescribed period & under a specified condition.

Types of tenders:-

1. Single tender:- only one supplier is there as in case of patent and proprietary goods. Here tenders are invited from one supplier only.

2. Closed tender:- also known as limited tender because tenders are invited from a limited number of suppliers who are on the approved list of supplier. Supply order is given to that supplier who have quoted minimum rate with same specification.

3. Open tender:- Also known as public tender or unlimited tender because here tender is not limited to certain supplier. Here wide publicity is given by advertising.

4. Global tender: - When material of international standards is to be purchased or work involving huge costs is to be done then tenders are invited from all parts of the world. Tender invited in this way are known as Global tender

5. Oral tenders: If the supplies are of minor character and urgently required, a person or committee is deputed to purchase the specified items from the market. After collecting the information regarding the price charged and quality of product to be supplied from three to four suppliers, the items are purchased form the suppliers which has quoted the minimum price of the specified items.



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d) Explain ABC technique of inventory control. (3 marks for any 3 points)

A items	B items	C items
it covers 10% of the total inventories.	it covers 20% of the total inventories	it covers 70% of the total inventories
it consumes about 70% of total budget.	it consumes about 20% of total budget.	it consumes about 10% of total budget.
it requires very strict control.	it requires moderate control.	it requires loose control.
it requires either no safety stocks or low safety stocks.	it requires low safety stocks	it requires high safety stocks
it needs maximum follow up	it needs periodic follow up	it needs close follow up
it must be handled by senior officers	it can be handled by middle management	it can be handled by any official of the management

e) Explain various methods of Market research. (1 mark for each method)

1) **Personal interview method-** It is a direct form of investigation in which skilled interviewers collect information from selected individuals. Questions are asked and answers are noted. A formal questionnaire is usually used for the interview.

2) **Telephone interview method-**Contact is established with the informants on telephone and informants are asked a set list of questions relevant to the study.

Advantages of the method

- The interviewers give their frank opinion.
- It saves time and money spent in travelling
- A large number of persons can be contacted in a day.

Disadvantages.

The method can be used only for telephone subscribers

Technical fault in telephone lines.

A long discussion cannot be done on telephone.



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3)Postal survey method- in this method, the respondents are approached through the medium of postal service. Letters are send to a group of individuals selected at random along with questionnaire to be completed and returned.

4) Panel method-A consumer panel is selected for getting information on the product and also different aspects of the firms marketing strategy. A consumer panel may be a group of persons or families.

f) Discuss the role played by Banking, Transport & insurance to facilitate trade. (1 mark for each)

1) Banking- Banking removes the hindrance of finance and credit. These days business units are involved in large scale production .so it may not be possible the owner to have the required finance all by himself .So banking helps them by

- Providing loans & advances.
- Providing Overdraft facilities.
- Allow facility of discounting bills.
- Provide foreign exchange, letters of credit.

2) Transport: The transport system removes the hindrances of place. It assists trade by moving goods from the place of production to location of consumption. Goods are carried by railways, roadways, airways etc. It helps in maintaining prices of the goods.

3) Insurance: Insurance removes hindrances of risk. In lieu of payment of premium, the insurance company promises to compensate the insured party in the event of suffering a specified loss.



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Q.5 Attempt any FOUR

(12 marks)

a) Differentiate between Joint Stock Company & Partnership Firm. (Any six points = 3 marks.)

S.NO.	Joint Stock Company	Partnership Firm
1	The company is formed by registration under Company Act 1956	The partnership firm is formed by agreement among partners.
2	The registration of the company is compulsory.	The registration of the firm is voluntary.
3	The liability of shareholders are limited	The liability of the partners are unlimited
4	The public limited company can be formed by a minimum of seven persons (private company minimum of 2 members maximum of 50 members.)	The firm is formed with minimum of 2 & maximum of 20 members (10 members for a banking business)
5	The shares of it can be transferable.	The shares are not transferable.
6	The resources of it are unlimited	The resources of the firm are limited
7	The company is managed by board of directors	The firm is managed by partners.
8	The audit of it's account is compulsory.	The audit of the it's account is not compulsory.
9	There are number of restrictions imposed by the government on the companies as they are governed by the Company act.	There are limited control & regulation by the government on the firms.

Q.5 b) Define the term Purchase procedure and explain various steps in Purchase procedure.

(Definition 0.5 mark, explanation 2.5 marks.)

The Purchase procedure means the sequence of steps in which procedure transaction is carried through.

The steps necessary for purchasing.

Purchasing Procedure:-

i) Purchase requisition:- when the stock of an article reaches the minimum limit, or the reorder level, the store in charge fills the requisition form & gives it to the purchase dept. The purchase requisition indicates the type ,quantity & quality of the item to be purchased.



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ii) Selection of suppliers:-

After receiving the quotations from the list of suppliers, supplier who quoted lowest price as well as his ability to supply required volume, maintenance of quality goods , ability to deliver the goods are taken into considerations.

iii) Placing the order:-

After selection of supplier, the order is placed on supply order form which contain items, Quantity required, the price & other terms & conditions of the supply.

iv) Receiving & checking of material :-

The materials which is received are inspected for its quantity & quality & compared with invoice or bill

v) Checking of invoice or bill.

If goods are received in satisfactory condition, the invoice or bill is checked before t is approved for payment.

vi) Recording of bills in books:-

Account section entered the bills into the account books.

vii) Releasing the payment to the supplier:-

Payment is released by the account section to the supplier.

Q.5 c) Define retailers and state various functions of retailers. (Definition 0.5 mark, any 5 functions = 2.5 marks.)

Definition: Retailer is a middlemen between wholesaler and actual consumers.

The Retailer perform the following important functions

1) Wide choice to consumers: He keeps a stock of various items according to the need of the consumers.

2) Ready stock : He keeps ready stock of all goods so that he is able to meet demand of customers at all times.

3) Transportation: Retailer make their own arrangements for transportation of products of different kind from wholesaler's godown.

4) Grading: Retailer does grading of those goods which have been left ungraded by the manufacturers and wholesalers.

5) Risk bearing: Retailers bears a risk of loss of goods by fire, theft or deterioration as long as they are not sold.



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6) Financing: They provide financial help to consumers by selling them the goods on credit.

7) Market research: The retailer passes the knowledge regarding the product (likes, dislikes, tastes)from the Customer to the wholesaler and in return the wholesaler passes this knowledge to the manufacturer.

8) Sales promotion: They display the goods in show windows & the counter for information of customers thus retailer promotes the sale of goods.

Q.5 d) Give functions of bank. (Any 6 functions = 3 marks.)

1. It accepts deposits from public, to save their extra money for their future needs.
2. It buys and sell shares/bonds/ debentures on behalf of its customers
3. Banks provide overdraft facilities to their customers having current account.
4. Banks lend money to entrepreneurs.
5. Banks also provide cash credit facilities to their customers
6. Lockers are provided to the customers for safe keeping of jewellery and important documents
7. It makes regular payment of subscription, insurance premium taxes etc. on behalf of its customers
8. It collects interest/dividend on securities and shares belonging to its customers
9. Its accepts bill of exchange in respect of imported goods and also purchases bills of exchange
10. It helps people going abroad by arranging for foreign exchange
11. It provides assistance and advises the customers with regard to investment.

Q.5 e) Explain the terms (each carries 1 mark)

i) Transaction: A dealing between businessman involving money or goods or services is known as transaction

ii) Nominal Account: These accounts are generally called fictitious accounts. These accounts are maintained to deal with discounts, insurance, rent, wages, salaries, cost of stationery items, interest, commission, amount spent on advertisement, profits or incomes of business etc.

iii) Assets: The economic resources of an enterprise that can be usefully expressed in monetary terms.

OR Assets may be considered as properties of any business organization.



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Q.5 f) Define Scrap and give its classification.

(Definition 1 Mark, any two types for 2 Marks)

Definition: Scrap is residue incidentally obtained from manufacturing process. It is usually a small value and is recoverable without further processing.eg. Powder and fine granules obtained in processing of tablets, non-returnable containers and packing cases.

Types of scrap:

1) Legitimate scrap: The scrap which can be predetermined or anticipated in advance due to manufacturing operations .E.g. Material obtained in the form of granules and powder in granulation process during tablet manufacturing.

2) Administrative scrap: This scrap results when material etc. becomes obsolete due to change in design.

3) Defective scrap: The scrap results from substandard raw material and poor workmanship in handling such materials.

Q.6 Attempt any FOUR

(16 marks)

a) Define cash book. State types of cash book. Explain petty cash book along with its format.

(Def. 1 mark, Types of cash bk 1 mark, Exp. 1 mark & format of petty cash bk 1 mark.)

Definition: Cash book is used to keep a record of all transactions related to cash receipt and cash payment. Cash book is also a book of original entries because the transactions are recorded from the source of source document for the first time.

Types of cash book.

- 1) Single column cash book or simple cash book.
- 2) Two columnar cash book.
- 3) Three columnar cash book.
- 4) Petty cash book.

Petty cash book

Large number of small payments, such as, for conveyance (bus, taxi), stationery, postage, telegrams, cartage and other miscellaneous expenses are made in any business organisation. If all these payments are handles by the cashier and are recorded in cash book, the procedure is found to be very cumbersome. To avoid this, a petty cashier is appointed, who makes all small payments and records them in his cash book which is called the petty cash book. The petty cashier works on the imprest system that is definite sum known as imprest money is given to petty cashier to make small payment



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out of it. When he has spent a measure portion of his imprest money he gets reimbursement of the amount spent from the main cashier

Format of Petty Cash –Book

'Dr'											'Cr'	
Date	Particulars	Total Amt Rs.	Date	Particulars	Vouch. No.	Total Amount Rs.	Convey-ance Rs.	Station-ery Rs.	Postage & Telegram Rs.	costage Rs.	Misc Rs.	Remarks

Q.6 b) Define Balance Sheet. Draw its format and state how it differs from Profit and Loss Account.(Definition 1 mark , 1 mark for format,2 marks for any two differentiating points.)

Definition: Balance sheet is a statement of accounts prepared for the purpose of ascertaining the exact financial position of the business on the last date of the financial year under review. It is prepared on a sheet of ledger folio.

Format:

'Dr'		'Cr'	
Liabilities	Amount Rs	Assets	Amount Rs



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Profit and loss account	Balance sheet
In profit and loss account the nominal accounts are shown.	In balance sheet the personal accounts and real accounts are shown.
The aim of profit and loss account is to provide information regarding net profit or net loss.	The aim of balance sheet is to know the financial position of the business.
It is a ledger account giving information about debits and credits.	It is only statement of assets and liabilities
It is an account ,so the words “To’ and ‘By’ are used	It is a statement and the words “To’ and ‘By’ are not used
The balance of the profit and loss accounts indicates profit or loss.	The total on both sides of a balance sheet is always the same.
The account shows profit or loss made by the business as on a fixed date.	It shows the financial position of the business enterprise on a fixed date.

Q6.C) Define Trial Balance and discuss methods for preparing trial balance.

(Definition 1 mark , each method carries 1.5 marks.)

Trial balance is a statement prepared to check the arithmetical accuracy of the book-keeping entries up to the date stated at the head of the trial balance.

Methods of preparation of the Trial Balance

1) Balance method:- The debit and credit sides of each ledger account is totaled . The balance is then recorded on the debit or credit side of the trial balance. If the grand total of debit and credit balances tally, it shows that the books are accurate arithmetically.

2) Total amounts method: - The debit and credit sides of each ledger account are separately totaled. A debit side total of ledger account is transferred on debit side of trial balance& a credit side total of ledger account is transferred on credit side of trial balance In case the grand totals on both sides tally, it indicates arithmetical accuracy of the book.



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Q 6. d) Give the format of Journal & Ledger. Differentiate between Journal and Ledger

(Format of Journal & Ledger each format carries 1mark. Difference bet journal & ledger 2marks for any four points.)

Format of Journal

Date	Particulars	L.F	Debit (Amount in Rs)	Credit (Amount in Rs)

Format of Ledger

‘Dr’

‘Cr’

Date.	Particulars	L.F	Amount Rs	Date	Particulars	J.F.	Amount Rs



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Journal	Ledger
1) It is the book of original entry	It is the book of secondary entry
2) It is the book for chronological record.	It is the book for analytical record.
3) Balancing is not done.	All the accounts are balanced.
4) From the books of original entry, entries are transferred to the ledger.	From the ledger, the trial balance is drawn and then financial statements are prepared.
5) The process of recording entries in the journal is called 'Journalising'	The process of recording entries in the ledger is called 'Posting'.
6) In the journal there is one column for particulars & two columns for amount one for debit & another for credit.	6) The ledger there are two equally divided sides having identical columns. The left side is known as debit side & the right side is known as credit.
7) The unit of classification of data within the journal is the transaction.	7) The unit of classification of data within the ledger is the account.

**Q.6 e) Name the various methods of Financial Analysis. Write in short about Ratio Analysis.
(Name of methods 1 mark, Explanation of any two ratio analysis 3 marks)**

Various methods of Financial Analysis:

- 1) Comparative financial statements
- 2) Common size financial statements
- 3) Fund flow analysis
- 4) Ratio analysis
 - a) Liquidity ratios
 - b) Solvency ratios
 - c) Activity ratios
 - d) Profitability ratios
 - e) Miscellaneous ratios.



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Ratio analysis :

It is simple and more informative method of analysis. A ratio is an arithmetical relationship between two figures. Various ratios are classified as

1) Liquidity ratios : These are used to measure ability of firm to pay of its liabilities in time. Various ratios under this

a) **Current ratio** : known as working capital ratio. It expresses relationship between current assets & current liabilities

Current ratio = Current assets / Current liabilities

Generally a current ratio of 2 is considered satisfactory.

b) **Quick ratio** : known as acid test ratio. Liquid assets are those which can be converted into cash with in short period without any loss in value.

Quick ratio = Quick assets / Current liabilities

Generally a current ratio of 1 is considered satisfactory.

2) Activity ratios: known as efficiency ratio. Used to measure efficiency with which firm uses its assets. Various ratios under this

a) **Inventory turnover ratio:** Known as stock turnover ratio

Inventory turnover ratio = Cost of goods sold / Average inventory = net sales/average inventory

b) **Capital turnover ratio = Sales / Capital employed**

3) Solvency ratios: Known as leverage ratio. Solvency means liabilities as and when they mature for payment. Various ratios under this

Debt equity ratio = Long term debt / Shareholders equity

Debt to total capital = Long term debt / Permanent capital

4) Profitability ratios: These ratios are calculated to know end results of the business. Various ratios under this

Gross profit ratio = $\frac{\text{Gross profit}}{\text{Net sales}} \times 100$ Net profit ratio = $\frac{\text{Net profit}}{\text{Total sales}} \times 100$

Return on capital employed = (Net profit after taxes / Capital employed) X 100

Return on assets = (Net profit after tax / Total assets) X 100

3) Miscellaneous Ratios : Earning per share=(Net profit after share/total no.of share)×100

Dividend Payout ratio = Dividend per share / Earning per share



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Dividend yield ratio = $\frac{\text{Dividend per share}}{\text{Market value of share}}$

Earning yield ratio = $\frac{\text{Market value of share}}{\text{Earning per share}}$

Interest coverage ratio = $\frac{\text{Net profit before deduction of interest \& taxes}}{\text{Fixed interest charges}}$

Q. 6 f) General Journal of ABC Medical Store: (0.5 marks for each transaction)

Date 2014	Particulars .	L. F.	Debit Rs .	Credit Rs .
Jan 1	Purchase A/c Dr. To cash A/c (Goods Purchased in cash .		50,000	50,000
3	Furniture A/c Dr. To cash A/c (Furniture Purchased)		25,000	25,000
5	Cash A/c Dr. To sales A/c (Goods sold in cash)		5,000	5,000
7	Cash A/c Dr. To D'souza A/c (Received from D'souza)		2,000	2,000
7	Mukesh A/c Dr. To sales A/c (Goods sold in cash)		5,000	5,000
9	Rent A/c Dr. To cash A/c (Rent received in cash)		2,500	2,500
20	Salaries A/c Dr. To cash A/c (Salary paid in cash)		10,000	10,000
25	Bank A/c Dr. To cash A/c (cash deposited in bank.)		7,000	7,000
	Grand Total.		1,06,500	1,06,500



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