



WINTER 14 EXAMINATION

Subject Code: **815**

Model Answer

Page No: 1 / 32

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.



WINTER– 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: 2 / 32

Q.1 Attempt any eight of the following .

a) What is supply order? (1 mark definition)

It is also called purchase order or contract. It is a mutual agreement between the Supplier & buyer. This agreement is called contract. It serves as basis for legal obligation to supply or accept a specific product.

Various particulars of contract (1 mark for any four points)

- i) Supplier's name & address
- ii) Order no., date & reference number
- iii) Detail specification of item & its quantity
- iv) Mode & date of delivery
- v) Packing instructions
- vi) Mode of payment
- vii) signature of authorities

b) What is bill of exchange & promissory note? (1 mark each)

Bill of exchange: According to section 05 of the Negotiable Instrument Act, bill of exchange is an instrument in writing containing an unconditional order, signed by the maker, directing certain person to pay a certain sum of money only to or the order of a certain person or to the bearer of the instrument.

Promissory Note: A promissory note is a legal instrument (more particularly, a financial instrument), in which one party promises in writing to pay a determinate sum of money to the other either at a fixed or determinable



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: 3 / 32

future time or on demand of the payee, under specific terms. A promissory note typically contains all the terms by the issuer or maker to the payee, such as the amount, interest rate, maturity date, date and place of issuance, and issuer's signature. OR

A promissory note is an instrument in writing containing an unconditional undertaking signed by maker to pay a definite sum of money only to or to the order of certain person.

c) Define (1mark each)

i) Business : Business means any kind of activity that keeps a person busy, includes all individuals and group activities, directed toward earning money acquiring wealth through production and exchange of goods and services.

ii) Management : Management is the process of conducting and managing various business activities .It is the art of securing maximum results with the minimum efforts so as to secure maximum prosperity and happiness both for the employer and employees and at the same time to provide best possible service to public.

d) Explain Hire purchase trading system.

(Features 1 Mark, Advantages 0.5 Mark, Disadvantages 0.5 Mark)

Salient features of hire purchase trading house:

1. Buyer gets credit from the seller against the security of lien on the goods purchased by him.
2. A Part payment is made at the time of purchase and rest in installments.
3. The buyer becomes the owner of the goods only after the payment of total price.
4. The seller is free to carry back the goods if the purchaser does not pay the installment. The instalments already paid by the buyer are forfeited and these are treated as hire charges



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: 4 / 32

for the goods.

Advantages

1. This system provides facility to purchase costly goods to middle class people on easy instalments.
2. The Small scale manufacturer can buy their machinery and tools without making total payment.
3. This system helps to increase the sale of costly and non-essential items as it tempts large number of people to buy the same.
4. Even the people who have sufficient money will go for this system as they can invest their money elsewhere to earn more profit

Disadvantages:

1. People are tempted to buy things which they cannot afford.
2. Trader dealing in hire purchase scheme have to arrange for large capital to finance their business
3. The goods purchased on hire purchase scheme are costlier as they have to pay the interest on unpaid installment

e) Mention different channels of distribution of drugs with intermediates.

Channel of distribution of drugs (all 4 written for 2marks)

Indirect selling of drugs to consumer includes following intermediates.



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: _5___/ 32

i) Manufacturer → Distributors → wholesaler → Retailer (pharmacist) → Consumer.

ii) Manufacturer → Wholesaler → Retailer(pharmacist) → Consumer

iii) Manufacturer → Wholesaler (pharmacist) → Consumer

iv) Manufacturer → Retailer (pharmacist) → Consumer

f) Write the formula to calculate retail price of drug formulations.

Retail price of the drug formulation (the formula for 2 marks.)

$$RP = (MC + CC + PM + PC) \times (1 + MAPE/100) + ED$$

RP=retail price

MC=material cost

CC=conversion cost.

PM=cost of packing material.

PC=packing charges

MAPE-maximum allowable post manufacturing expenses

ED=excise duty.

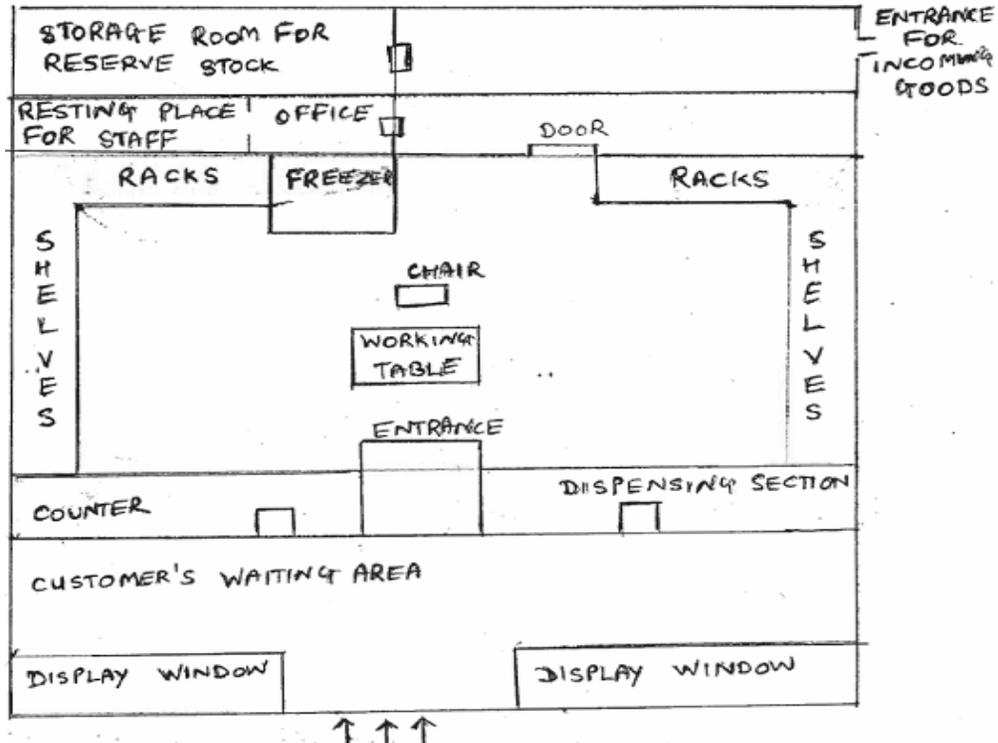
g) Draw ideal layout for retail drug store. (2 Marks)

WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: 6 / 32



h) What is Entrepport trade? (2 marks)

Entrepport trade- It involves import of foreign goods of one country with the idea of exporting the same to other countries & making profit in the process. It is also called Re-export.

i) What is the Master Budget. (2 Marks)

Master budget :-When the functional budgets have been completed the budget officer will prepare a master budget. This budget combines all the functional budgets into one harmonious unit which is finally approved, adopted and employed. The budget contains details regarding sales, production costs, cash position and key account balances like fixed assets, debtors, stock etc.

J) Define : (1 mark each)



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: 7 / 32

i) Liabilities : Liabilities are the obligations or debts that an enterprise must pay in money or services at sometimes in future.

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

k) What is the Mail Order Business?(Definition 1 mark types 1 mark)

It is a type of retail trade in which all business activities take place through mail or post.

Types of mail order business are,

i) mfg mail order house : established by mfg. himself.

ii) Departmental mail order house : Its only the department of the departmental store which fulfill the orders.

iii) Middlemen mail order house: It purchases the goods from wholesaler & dispatches the same by mail to the customer.

l) Define Banking and enlist types of Banks.(definition 1 mark Types 1 mark.)

Banking is the backbone of commerce and industry. According to banking companies act, 1949 defines banking is a business where deposits are collected, for the purpose of lending from the public repayable to them on demand or withdrawal by cheque etc. .

Types of banks (1mksfor any 4 banks)

1) Commercial bank

2) Saving banks



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: _8___/ 32

- 3) Land development banks
- 4) Cooperative banks
- 5) Industrial banks
- 6) Exchange banks
- 7) Mixed banks

Q.2 Attempt any FOUR of the following:

a) Define (1 mark for each)

i) Safety stock level:

This is the lower limit below which the stock of any item should not normally be allowed to fall. The main purpose of determining this limit is to protect against the possibility of a particular item going out of stock and there is further danger of stoppage of its production and supplies.

ii) Re order level :

Re order level is fixed between the minimum and maximum stock levels.

Reorder level = $\frac{\text{Minimum consumption} \times \text{Maximum}}{\text{During the period} \quad \text{re-order period.}}$

iii) Maximum stock level:

Maximum stock level represents the upper limit beyond which the quantity of any item is not normally allowed to rise.

b) Define wholesalers. Explain functions of wholesalers(Definition 0.5 mark, 2½marks for any 5 functions)

Definition : Wholesalers are middlemen between the manufacturers and retailers.



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: 9 / 32

The wholesaler perform the following important functions

1. Assembling : They collect varieties of products from different manufacturers
2. Distribution : They distribute goods to the retailer who are widely scattered
3. Warehousing : They store the goods of manufacturer for supply to retailer
4. Transportation : Wholesaler moves the good from the place of production to his warehouse and from there to the retailer
5. Financing : He provides credit facility to the retailer
6. Risk bearing : In pharmaceuticals the wholesaler bear the risk of theft, fire, fluctuating prices, breakage and expiry
7. Pricing : The wholesale prices and retail prices are fixed by the government
8. Grading and Packaging : The goods are graded and packed by the wholesaler as per the requirement of the retailer
9. Market Research : The retailer passes the knowledge regarding the product from the Customer to the wholesaler and in return the wholesaler passes this knowledge to the manufacturer.

c) How will you select site for opening new retail drug store?(0.5 x 6 points=3 marks)

Following points to be taken into consideration while selecting site for opening new retail drug store

i) Business locality – it is preferable site as many people visit the locality. the main hindrance is it requires huge investment.

ii) Thickly populated residential areas- it is preferred.



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: _10___/ 32

iii) Developing areas -it is the ideal location as there is no competition.

iv) Hospitals/nursing homes - ideal location.

v) Flow of traffic- Avoid near the signal & near the circles as there is parking problems. One way roads also should be avoided.

vi) Parking-There should. be enough parking space, the areas where parking is not allowed should. be avoided.

vii) drug store as far as possible there should be no competition.

viii) Near hotel, school, play ground or theatres -These are not proffered as the residential areas are far from these places.

d) Define Aids to trade and explain activities revolving around trade.

(Definition 0.5 mark, 2½marks for any 5 points.)

Definition: The activities which facilitate trade are called aids to trade.

- **Banking:** It removes the hindrance of finance & credit. Exchange of goods with money is solved by services of banks and financial institutions.
- **Transport:** Transportation overcomes Hindrance of Place
- **Insurance :** It removes the hindrance of risk/loss. Despite efficient transportation and packaging there may be loss of goods. This may be overcome by providing insurance cover of the goods during transportation and storage. Various types of insurances are fire, marine and general.
- **Warehousing:** It removes the hindrance of time. Goods are prepared before demand, so proper storage is required. Warehousing facilities solve this problem
- **Packaging:** It removes the hindrance of risk of spoilage. The goods get spoiled or damaged during transportation. This hindrance is overcome by proper and safe packaging of goods.
- **Advertising and publicity:** Advertising and publicity agencies overcomes Hindrance of



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: _11___/ 32

Knowledge.

e) Differentiate between Preference shares and Ordinary shares.(1Mark for each point)

| Preference shares | Ordinary shares. |
|---|--|
| 1)Preference Shares promise to pay their owners a fixed dividend | 1) Ordinary shares receive a dividend after the company has paid preference shares and the debenture holders. |
| 2)They do not have rights on voting in Annual General Meeting | 2)The shareholders of ordinary shares have right to vote in Annual General Meeting |
| 3) Shareholders have a preferential right in terms of entitlement to receipt of dividends as well as repayment of capital in the event of the company being wound up. | 3) Shareholders are entitled to dividends as well as residual economic value should the company unwind (after bondholders and preference shareholders are paid). |
| 4) These shares are preferred by those people who do not like to risk their capital & yet want an higher income than that if invested in other scheme. | 4) They have a risk & they get higher rate of dividend. |

f) Define recruitment and explain methods of recruitment.

(1mark for definition & any four methods carries 2 marks).

Definition:- Recruitment is a process of exploring the source of supply of the required personnel & stimulating the prospecting employees to apply for jobs in the organisation.

Methods employed in recruiting a pharmacist:

- 1) By State or central Government agencies, such as ‘ Service selection board’
- 2) For the job of a salesman, recruitment is done either by the owner of the drug store or by the personnel department of the pharmaceutical house or the sales manager of the firm.



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: _12___/ 32

3) An advertisement is given in leading newspapers, popular magazines and professional journals. The detailed description of the post is given and the interested candidates are required to submit their application along with their bio-data, before the last date.

4) Present pharmacy employees are requested to recommend suitable registered pharmacy candidates.

5) By advertising on notice board of institute.

6) Through professional association & clubs.

Q.3 Attempt any Four of the following.

a) Define (1 mark for each)

i) Slow moving materials :

Slow moving materials are those items which are moving at slow rate. Slow moving materials are to be valued at cost , replacement price or net realizable value, whichever is less.

ii) Dormant materials :

Dormant materials are those items which are moving temporarily because of seasonal production.

iii) Obsolete items :

Obsolete items are those which have become useless due to change in design, method of manufacturer ,product or process etc.

b) Explain postal and panel methods of survey in connection to market research.

(each method 1.5 Mark)



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: _13___/ 32

Postal survey method :

- 1) In this method respondents are approached through the medium of postal service.
- 2) Letters are sent to a group of individuals along with questionnaire to be completed and returned.
- 3) Two or three follow up letters may be sent after waiting for sometime.
- 4) Reply paid envelope is sent with questionnaire to get a quick response.

Panel method:

- 1) In this method a consumer panel is selected for getting information on the product.
- 2) A consumer panel may be group of persons or families.
- 3) A panel may be interviewed periodically regarding facts relevant to the survey and necessary conclusions there can be drawn from the observations made by the panel.

c) Define and explain types of scrap. (Definition 1 Mark, types 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.



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: _14___/ 32

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

d) Differentiate between private company and public company.(0.5 x 6 points = 3 Marks)

| private company | public company |
|---|--|
| 1) For membership minimum no. is 2 & maximum no. is 50. | 1)Minimum no. is 7,no limit for maximum members. |
| 2) Procedure for formation is simple & easy. | 2)Procedure for formation is complicated & costly. |
| 3)Transferability of shares is restricted. | 3)Shares can freely transferable. |
| 4)Name must end with word "Private Ltd." | 4)Name must end with word "Limited". |
| 5)Raising capital from public not allowed | 5)Capital can raised from public |
| 6)Commencement of business is after getting certificate of incorporation. | 6)commencement of business is after getting certificate of Business. |
| 7)No. of directors minimum two &maximum no limit. | 7)No. of directors minimum three & maximum fixed articles. |
| 8)secrecy is maintained within the members. | 8)Secrets are exposed to public. |

e) Explain Itinerant retailers. (description 1.5 mark, types 1.5 mark)



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: _15___ / 32

These retailers do not operate from fixed premises but move from place to place for selling goods in small lots to the consumers. They work with very small capital investment and mainly deal in low priced commodities of daily use. The following are the various types of itinerant retailers.

Hawkers and peddlers: They move from door to door in residential localities to sell their goods.

Street traders: These traders arrange their goods at busy street corners or pavements of busy roads, railway stations, temples etc.

Market traders: They keep on moving from place to place to sell their goods at weekly, fortnightly or monthly bazaars.

f) Give the documents required to open a wholesale drug store.(3 Marks)

- Application in duplicate on form 19 of the D&C rules 1945. one copy for biological & other for non biological drugs.
- a fees of Rs 1500 per licence to be deposited in the SBI or govt. Treasury
- An attested copy of D.Pharm from institute recognised by PCI.
- An attested copy of registration certificate by state pharmacy council.
- Attested copy of the experience certificate of minimum 4 years in sale / distribution of drugs after matriculation on salary basis

OR

- Attested copy of the experience certificate of minimum 1 year in dealing with drugs after graduation on salary basis.
- An attested copy of matriculation certificate /graduate degree certificate.



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: _16___/ 32

- Affidavit from a person if he is an employee.
- An affidavit on non judicial stamp paper attested by first class magistrate by each partner in
case of partnership firm, or by the owner.
- Rent receipt in case of rented premises or affidavit from an owner.
- a copy of partnership deed in case of partnership.
- receipt of purchase of refrigerator.
- Plan of a premise



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: _17_/ 32

Q. 4 Attempt any FOUR of the following:

a) Discuss ABC analysis 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 |

b) Enlist and explain functions of management.

Ans- a) **Functions of Management(1 mrk)**

1.Planning

2.Organising

3.Staffing

4.Directing



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: _18_/ 32

5. Controlling

6. Co-ordinating

Explanation (2Mrks)

1) Planning: Planning is the process of deciding in advance what to do, how to do it, when to do it and who is to do it. It aims at achieving the desired results. It helps to do things in an orderly manner and proper utilization of resources.

2) Organizing: It is the implementation of plans by giving responsibilities to the peoples of organization to perform various activities such as purchasing, production, quality control, distribution etc.

It involves the following steps:

Identifying the activities, grouping the activities, assigning the duties, delegating authorities etc.

3) Staffing: A right person should be selected for right job to get maximum output to target work done.

4) Directing: Management is the art & process of getting things done. The manager have the responsibilities of supervising their sub-ordinates by giving proper instruction & checking the performance etc.

5) Co-ordination: In the management of organization objectives are laid down which can ultimately be fulfilled by co-ordination with various departments.

6) Controlling- means the steps taken to ensure that the performance of the organization conforms to the plans. There should be an adequate control, so that predetermined planned objectives are achieved.

C) Explain codification methods of items in drug store.

Ans- Methods of codification:



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: _19_/ 32

- 1) Alphabetical method/ letter code system- In this system letters chosen, consist of 26 letters. So each position in the code has 26 possible letters. For. Ex. Code T represents tablet and code C represents capsules.
- 2) Mnemonic method- For ex. Code AT represents aspirin tablet, code ATP represents aspirin tablet with Paracetamol. Method is used for easy identification.
- 3) Numerical method- separate numbers are assigned to different classification of stored items.
 - a) Decimal system- The numbers are assigned in such a way that each digit represents a sub group or sub account of the previous digit. For ex. Code number 16.1, 16.11, 16.111 are assigned to three different tablets belonging to analgesic group, like
 - 16.1- Analgin
 - 16.11- Dispirin
 - 16.111- Paracetamol
 - b) Block system- The numbers are reserved for specified classification. For ex. Number 101 to 300 may be allotted to various types of tablets and number 301 to 500 for capsules.
 - 4) Combination method- It's a combination of both mnemonic and numerical method. For ex. Code number AT300 is allotted to aspirin tablet 300 mg and AT301 is allotted to aspirin tablet 600 mg.

d) Discuss salient features of Joint Hindu Family Business.(0.5 for each feature)

1. Creation-It is created by the operation of the Hindu Law because it is inherited by reason of birth in the Hindu family.
2. Joint Ownership-The business is jointly owned by all the members of a Joint Hindu family.
3. Minimum Govt. Regulations The business can be started and closed down without much legal formalities.



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: _20_/ 32

4. Sole Control by Karta - Karta has the right to enter into contracts on behalf of the family business.
5. Liability- The liability of the Karta is unlimited whereas the liability of the co-parceners is limited to the extent of their share in the family property.
6. No maximum limit of membership-The membership of a Joint Hindu Family Business depends upon the births and deaths in the Family.
7. Business Secrecy-Business secrecy can be maintained because it is not compulsory for them to publish their accounts.
8. Flexibility- The Karta can expand or contract business, change the line of the business or he can even close down the business, if the situation demands.
9. Stability and Continuity- The death or insolvency of the Karta may not affect the business continuity as the business can be carried on by the next head of the family.
10. Quick Decision Making- The Karta as the manager can take quick decision with or without consulting the co-parceners.

e) Write the selection procedure to select pharmacist.

Ans- the following selection procedure is generally adopted.

1. Scrutiny of application : the application received up to the due date are carefully scrutinized. the incomplete application and application of candidates who did not fulfill the required eligibility conditions are rejected.
2. Preliminary interview: The candidates considered suitable on the basis of the application are called for preliminary interview. This is generally a brief interview and its purpose is to eliminate those candidates who are either unqualified or unsuitable for the job.



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: _21_/ 32

3. selection test: It may be written or an oral test. The technical knowledge and administrative capability can be judged from this test. The following test are commonly used for the selection process:

a) Intelligence tests: these test are used to estimate the I.Q. or mental alertness of the candidates

b) Aptitude test- these test help to measure a candidate's capacity to learn particular skills and his potential abilities.

C) Trade test/ performance/ proficiency test- is used to measure the applicant's level of knowledge and skill already achieved in a particular trade or occupation.

D) Personality test- used to find out the emotional balance, maturity, temperament, etc. of the candidate.

4. Selection interview- It's a face-to face dialogue between the employer or his representative and the interested candidate.

Purpose of Selection interview:

a) To find out the suitability of the candidate

b) To cross-check the information revealed in the application and the test.

c) To give to the candidate an accurate picture of his jobs and the enterprise.

5) Physical examination – is conducted to ensure that he is physically fit for the job. If the physical fitness is not suitable candidate is rejected.

6) Reference check: usually candidate should give minimum two reference name and address of the same who know the candidate very well. These persons are contacted to collect the information about the character, ability and background of the candidate.



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: _22_/ 32

7) Final selection and placement: the candidates who have been found suitable in all respects are appointed on probation for one or two years by issuing appointment letters to them .The selected candidates are assigned specific jobs this is known as placement.

f) Explain the qualities of good salesman.(1 mark for each quality)

Ans- Salesmanship is the process of creating demand & promoting sales by assisting & persuading the buyer to buy a particular item in face to face situation.

Qualities of a salesman

Personal qualities, Mental qualities, Social qualities, vocational skills

Personal qualities

He should have attractive personality,

Good health, good physique, as the job involves lot of physical strain.

He should have clear voice, & the his talk should impress people.

He should be well dressed.

Mental qualities

He should have good memory, imagination, presence of mind, good judgment.

He should be intelligent to understand the nature & requirement of the buyers.

He should be able to think from the view of the customer.

Social qualities

He should have liking for people & should be able to mix with them.

He should not be shy & reserved.

He should be a patient listener.

He should be polite & courteous.



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: _23_/ 32

Vocational skills

He should know selling tech.

He should have knowledge of the product, customers, & competitive products

Q5) Attempt any FOUR of the following:

a) Enlist the advantages and disadvantages of Co-operative society.(1.5 for 3 advantages and 1.5 for 3 disadvantages)

Ans- advantages

1. Formation of Co-operative society business is easy.
2. It works on a democratic principles.
3. It is not affected by the death, insolvency or insanity of the members.
4. The liability if the members of a Co-operative society is limited.
5. Co-operative society conducts their business on cash basis only, so chances of bad debts or irrecoverable debts are minimized.
6. The membership of a co-operative society is open to all the members of the public irrespective of caste, creed, and religion and so on.

Disadvantages

1. Limited capital
2. Inefficient management, as it has limited capital, it cannot afford the service of expert person.
3. It is subjected to excessive govt. control and interference.
4. Business accounts and records are made available to members as well as public, so secrecy cannot be maintained.



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: _24_/ 32

5. Due to limited capital, business cannot enjoy the economies of scale
6. We find restriction on numbers, as minimum 10 members are required to form a Co-operative society.

b) Discuss the services of commercial banks.(0.5 for each service)

- Ans-.1) Acceptance of deposits- The bank borrow money from general public, known as borrowing which the bank does in terms of lending or investment purpose.
- 2) Bank provides a means for saving money, which they can save for their future needs and withdrawal the same as and when the need arise.
 - 3) Bank can collect the cheques, demand drafts, bills of exchange, foreign bills etc. on the behalf of their depositors.
 - 4) Bank provides discounting facilities in respect of local and foreign bills of depositors.
 - 5) Bank also pays insurance premium, subscription and taxes on the behalf of their depositors.
 - 6) Banks provide overdraft facilities to their customers having current account.
 - 7) Banks lend money to entrepreneurs.
 - 8) Banks also provide cash credit facilities to their customers.
 - 9) Banks buys and sells shares, bonds, debentures on the behalf of their customers.
 - 10) Banks accepts customer's valuable articles such as jewellery, securities, shares, other important documents for safe keeping in its strong room meant for this purpose.

WINTER- 14 EXAMINATION

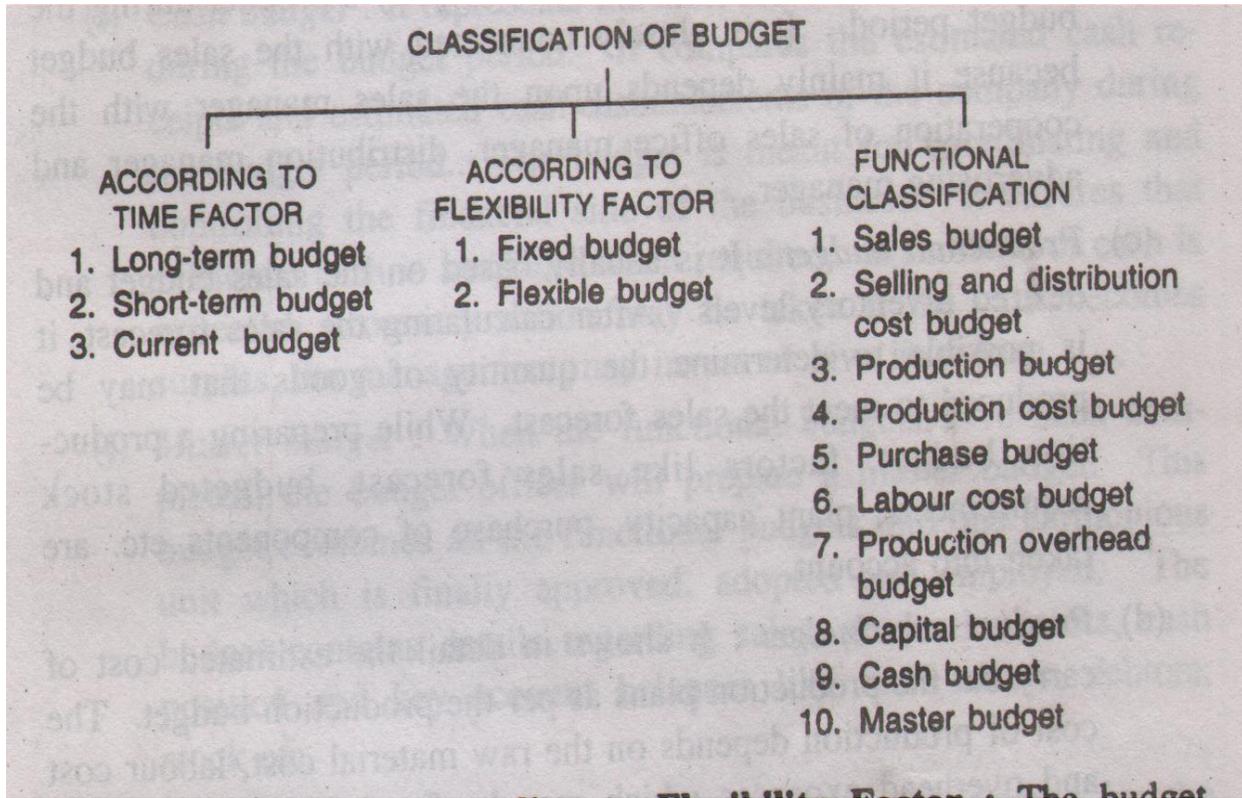
Subject Code: 815

Model Answer

Page No: _25_/ 32

c) Define and classify budget.(1 mark for definition and 2 marks for classification)

Ans-A budget is a written plan covering projected activities of a firm for a definite period of time.



d) Define Trial balance and explain rectification of errors.(1mark for definition and 0.5 for each step)

Ans- Definition-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.

To check the arithmetical accuracy following steps are used

If the two sides of a Trial balance agree signifies the arithmetical accuracy.



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: 26 / 32

Difference between 'Debit' & 'Credit' balance of a trial balance signifies the arithmetical inaccuracy.

- 1.) The debit & credit totals of the Trial Balance should be checked.
- 2.) Also checked the total of headings Sundry Debtors & Sundry Creditors respectively.
- 3.) Make sure that the balance or total of all the ledger accounts have been correctly made.
- 4.) Find out the exact difference in the Trial Balance & to see from Ledger is any account shows that balance.
- 5.) If the difference in the Trial Balance is divisible by 2, it is possible that posting of an amount equal to one-half of the difference may have been made on the wrong side of a ledger account.
- 6.) Ex. If the total of the debit side of a trial balance exceeds by Rs. 400, it is possible that a credit item of Rs. 200 has been posted in the ledger as a debit. So all entries of Rs.200 be thoroughly scrutinised.

e) Explain the methods of compensation to pharmacist.(0.5 for each method)

And –1) Adequacy- The amount of compensation should be in proportion to the responsibility of his job and it should be sufficient to maintain a reasonable standard of living.

2) Simplicity- the compensation plan should be simple so that it can be easily understood by the employees.

3) Incentive- The plan should stimulate the employees to find out ways and means to make profitable drug sales over a long period of time.

4) Proportionate award- The plans are frame in a such a way that the employee should be proportionate to the volume of sales made by him.

5) Flexibility- The plan should be flexible enough to operate effectively throughout the year.



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: 27 / 32

- 6) Promotion- A provision should be made in the compensation plan to provide promotion in pay and reward for continuous long and devoted service of an employee.
- 7) Uniform earning- The plan should enable the employee to earn a reasonable uniform income each month.

f) Differentiate between Wholesaler and retailer.(0.5 for each differentiating point)

| Retailer | Wholesaler |
|---|---|
| Middlemen bet wholesaler & consumer | middlemen bet Manufacturer& retailer |
| deals in small scale business | deals in large scale business |
| Sells goods for consumption | sells goods for resale |
| Location is very imp | Location of shop is not imp |
| Window display is imp | Window display of goods not imp |
| Deals in large no of products of different manufacturer | Deals in specific type of product |
| provides after sale service | Do not provide after sale service |
| Sells at higher margin of profit | Sells goods at low margin of profit since the turnover of sale is high. |



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: _28_/ 32

Q. 6 Attempt any FOUR of the following:

a) Differentiate between Profit and loss account and balance sheet. (1 mark for each point)

| Profit and loss account | Balance sheet |
|--|---|
| In profit and loss account the normal 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 accounts 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. |

b) Discuss the following(2 marks for each)

i) **Accrual concept**-The revenue which becomes due but not received in cash, must be recorded in the books when it becomes due and not that when it is received in cash. Similarly, expenses which becomes due but not yet paid in cash must be recorded in the books as expenses for the period when they becomes due.

The concept is helpful in recording cash and credit transactions.



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: 29 / 32

ii) **Money measurement concept-** According to this concept all business transactions are required to be recorded in terms of money. Those transactions that are not capable of being recorded in terms of money are not recorded in the accounting books, because the monetary unit is relevant, simple and understandable. By expressing all assets and liabilities in terms of money, it is possible to include them during the preparation of financial statements.



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: 30 / 32

Journalize the following transactions.

| Date April 2012 | Particular | l.f | Debit(amt) | Credit(amt) | | | |
|-----------------|---|-------|------------|---|-------|---|-------|
| April 1 | cash a/c Dr. to capital a/c | | 10000 | 10000 | | | |
| 2 | purchase a/c Dr to cash a/c | | 5000 | 5000 | | | |
| 3 | Ram a/c Dr to sales a/c | | 3000 | 3000 | | | |
| 5 | cash a/c Dr to sales a/c | | 4000 | 4000 | | | |
| 6 | cash a/c Dr to Ram a/c | | 2500 | 2500 | | | |
| 13 | furniture a/c Dr to Deva a/c | | 2400 | 2400 | | | |
| 18 | rent a/c Dr to cash a/c | | 500 | 500 | | | |
| 20 | purchase a/c Dr To Kumar a/c | | 3500 | 3500 | | | |
| 30 | Girish a/c Dr to cash a/c | | 1000 | 1000 | | | |
| 30 | commission a/c Dr to cash a/c | | 500 | 500 | | | |
| | <table border="1"><tr><td>total</td></tr></table> | total | | <table border="1"><tr><td>32400</td></tr></table> | 32400 | <table border="1"><tr><td>32400</td></tr></table> | 32400 |
| total | | | | | | | |
| 32400 | | | | | | | |
| 32400 | | | | | | | |



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: _31_/ 32

c) What do you mean by cash book? Classify it. Write importance of petty cash book.(1 mark for cash book meaning, 1 mark for classification and 0.5 mark for each importance).

Ans- 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. When a cash book is maintained, transaction of cash are not recorded in the journal.

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.

Importance of petty cash book:

1. Control over mistakes
2. The chances of mistakes are reduced, since the chief cashier regularly examine the petty cash book.
3. Control over petty expenses. Petty expenses are kept within the limits of impressed, since petty cashier can never spend more than the available petty cash.
4. Control over frauds, misappropriation if any is kept within the limits of impressed.
5. Saving of chief cashier's time and labour, since petty cashier looks after the work of making all petty expenses and to recording them a lot of time and effort of the main cashier is saved.

e) Explain the term-(2 marks for each)

i) Bank overdraft facility -A customer is allowed to draw cheque even if there is no balance amount in his account. i.e. overdraw. The upper limit is fixed by the bank. The customers pay interest at a specific rate on the amt. overdrawn on daily basis. This Facility is allowed against some security.



WINTER- 14 EXAMINATION

Subject Code: 815

Model Answer

Page No: 32__ / 32

ii) Cash credit facility- Under this scheme a bank fixes a limit up to which a customer can borrow money against some security. This account is operated on regular basis. The interest is charged on the outstanding amt. The money is repaid by the customer as & when possible.

d) Discuss the profitability ratios-(1 mark for each Gross profit and Net Profit, 2 mark for Return on investment)

Ans-These are designed to highlight the end results of business activities. The various ratios covered under these are

i) Gross Profit ratio- means sales minus cost of goods sold.

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

Gross profit depends upon the selling price, sales volume and cost.

ii) Net Profit ratio= $\frac{\text{Net profit}}{\text{Total sales}} \times 100$

The ratio is also known as net profit margin. It measures the relationship between net profit and net sales.

iii) Return on investment- is a useful measure for judging the overall efficiency of an enterprise.

Return on assets= $\frac{\text{Net profit after taxes}}{\text{Total assets}} \times 100$

Return on capital employed= $\frac{\text{Net profit after taxes}}{\text{Capital employed}} \times 100$



MAHARASHTRA STATE BOARD OF TECHNICAL EDUCATION
(Autonomous)
(ISO/IEC - 27001 - 2005 Certified)
