

TIRUPATI COLLEGE OF POLYTECHNIC AND PHARMACY, RATIA

D. PHARMACY SECOND YEAR

DRUG STORAGE AND BUSSINESS MANGEMENT

Section - A

Fill in the blanks. Each question carries one mark.

1 x10= 10

1. Industrial bank provide **long term** finance.
2. In VED analysis, V stands for **vital items**.
3. Full form of EOQ is **economic order quantity**.
4. Principal book of accounts is known as **double entry book- keeping**.
5. Transport system removes the hindrances of **place**.
6. Codification ensures **secrecy** of items lying in the store.
7. FIFO stands for **first in first order**.
8. The process of recording entries in the ledger is called **posting**.
9. **Mail order** is the type of retail trade in which all business activities takes place through post.
10. A business organization run in partnership is called **firm**.
11. A retailer is a middleman between **wholesaler** and **consumer**.
12. The minimum area required to open a retail drug store is **90-100 sq. ft**.
13. Window display is one of the medium of **advertisement** and **sales promotion**.
14. Ordinary share is also known as **equity shares**.
15. The left side of an account is known as **debit** and the right side as **credit**.
16. In ABC analysis the inventories are categorized according to their **consumption**.
17. The buying and selling of goods in order to make profit is called **trading**.
18. A wholesaler acts as a link between **manufacturer** and **retailer**.
19. Banks provide finance to business for **long- term**.
20. Quick ratio is also called **acid test ratio**.
21. Liquidity ratio is used to measure the ability of the firm to meet its **current liabilities**.
22. Re-order level is fixed between the **minimum** and **maximum** stock levels.
23. A retailer dealing in pharmaceutical trade is known as **chemist** or **a pharmacist**.
24. The **journal** is the basic book of original entry.
25. The most popular method of financial analysis is **ratio analysis**.
26. Sales are the **life blood** of business.
27. **Sleeping or inactive partner** does not take active part in management of business.
28. In Retail Pharmacy business **sole proprietorship** organization is best suited.
29. Trade between two countries is known as **international trade**.
30. Property and possession of business are called **assets**.

31. Middleman is a link between **producer** and **consumer**.
32. Recording of entries of the journal is called **journalising**.
33. Banks charge **interest** on outstanding amount in a cash credit account.
34. Preference shares those which carry a preference both regarding **dividend** and **the return of capital**.
35. **Sole proprietorship** is called one man business.
36. **Trial balance** is a statement prepared to check the arithmetical accuracy of book-keeping entries.
37. The old fashioned items are called **obsolete items**.
38. A partner whose name is not known to outsider is called **secret partners**.
39. **Commercial** bank provides finance for trade, industry and commerce.
40. Salaries paid to employees are **debited** to the profit and loss account.
41. Window display creates a **good impression** of the retail pharmacy.
42. A cooperative society is a **voluntary** association may be formed by any **ten** adult persons.
43. The maximum number of partners allowed in a general business is **20**.
44. **Television** is one of medium of advertisement and sales promotion.
45. **Financial** statements include both the balance sheet and profit & loss account.
46. The important feature of the cooperative organization is **service** in place of **profit**.
47. Application on form no. **19** is required to apply for license to open a retail drug store.
48. Application on form no. **21** is required to apply for license to sell Schedule C and C1 drugs by wholesale.

(Part –B)

Define: (a) Finance (b) Fixed capital (c) Working capital (d) Overdraft (e) Shares (f) Bank (g) Commerce (h) Liquidity ratio (i) Current ratios (j) Quick ratios

Answer. (a) Finance - Finance is the life blood of any business. Finance is defined as the provision of money at any time when they business required it. Types of finance are:

(a) Fixed capital (b) Working capital.

(b) Fixed capital - The fixed capital of a business is invested in permanent assets, such as, land and building, plant, machinery and furniture, fixtures etc. These assets are required in a business in order to carry on its activities.

(c) Working capital - Working capital is also known as the revolving or circulating capital because it is invested, recovered and reinvested repeatedly during the life time of the business.

(d) Overdraft- Under this scheme, a customer is allowed to draw cheques even if there is no balance amount standing to the credit of his account, i.e. permitting him to overdraw on his account. Banks however, fix a limit for the customer beyond which there can be no further over drawing. For example, a customer has Rs 40,000 standing to his credit and he issues cheques for Rs 1,00,000 he would be said to have overdrawn an amount of Rs. 60,000. The customer is required to pay interest at a specified rate on the amount of Rs.60,000 on daily basis.

(e) **Shares-** It is the capital which is required by the business, when divided into a large number of parts, each part is considered as share. Shares are of two types: (a) Preference share (b) Ordinary share

(f) **Bank-** It is an institution which is carrying on certain kind of financial business. It buys money from depositors and sell i.e. lend it to the borrowers. It also provides facilities for exchange and transmission of funds.

(g) **Commerce-** It is a branch of production goods and services that deals with the movement of goods and commodities. Branches of commerce are: Trade and Activities revolving around trade.

(h) **Liquidity ratios:** These ratios, constituting ratios analysis of the short term financial position, are used to measure the ability of the firm to meet its current obligations.

(i) **Current ratios-** It is also called working capital ratio and is the most widely used of all analytical devices based on the balance sheet. It matches the current assets of the firm to its current liabilities.

$$\text{Current ratio} = \text{Current assets} / \text{Current liabilities}$$

(j) **Quick ratios-** It is also called acid test ratios. It is used to measure the ability of the firm to convert its current assets quickly into cash in order to meet its liabilities.

$$\text{Quick ratios} = \text{Quick assets} / \text{Current liabilities}$$

Section-B

Each question carries three marks.

3×5 =15

Question No.1. Write a short note on pharmaceutical management.

Question No.2. What is the difference between short term loan and long term loan?

Question No.3. Why crossing of cheque is important?

Question No.4. What are the advantages of budgetary control?

Question No.5. Distinguish between cash discount and trade discount.

Question No.6. Why balance sheet is prepared?

Question No.7. Write the formula to calculate the retail price of a drug formulation.

Question No.8. What do you mean a 'Public company'?

Question No.9. Differentiate between preference shares and ordinary shares.

Question No.10. What is a profit and loss account?

Question No.11. What are the various factors affecting the location of a drug store.

Question No.12. What are the advantages of codification?

Question No.13. Write a short note on Scrap and surplus disposal.

Question No.14. Write the difference between Wholesale trade and retail trade.

Question No.15. Name the various branches of accounting.

Answer

Question No.1. Write a short note on pharmaceutical management.

Answer: Pharmaceutical management: The word management denotes the process of conducting and managing various business activities. There are three level of management:

- 1) **Top level:** Top level management of a company consists of the board of directors and managing directors.
- 2) **Middle level management-** It generally consists of head of departments. They are responsible to the top management for the efficient functioning of their departments.
- 3) **Lower level management-** It is also known as supervisory management because it is directly concerned with the control of the performance of the operative employees. The level include supervisors, foremen, account officer etc.

Question No. 2. What is the difference between short term loan and long term loan?

Answer: Short term loan and long term loan

S. No	Short term loan	Long term loan
1	These loans are commonly set for more than three years.	These loans are commonly set for more than three to ten year.
2	Examples of short term loans are emergency car repairs, unexpected bills.	Examples of long term loans are students loan, home loan etc.
3	Short term loan do not usually require collateral.	A long term loan will generally be put up against collateral or security.
4	It is requires little paper work.	It is require long paper work

Question No. 3. Why crossing of cheque is important?

Answer: A crossed cheque is a cheque that is payable only through a collecting banker and not directly at the counter of the bank. Crossing ensures security to the holder of the cheque as only the collecting banker credits the proceeds to the account of the payee of the cheque. To cross the cheque two parallel transverse lines, with or without any words are drawn generally on the left hand top corner of the cheque. A crossed cheque does not affect the negotiability of the instrument.

Question No. 4. What are the advantages of budgetary control?

Answer: Advantages of budgetary control are:

- 1) Budgetary control combines the idea of all level of management in the preparation of the budget. Final decisions represent the combined judgment of the entire organization and not merely that of an individual or a group of individuals.
- 2) It directs capital expenditure in the most profitable channels.
- 3) The budget of cash receipts and expenditure ensures sufficient working capital and other resources for the efficient operation of the business.

- 4) Budgeting coordinates the activities of the various departments and their functions by laying down limits and targets for them.
- 5) Responsibilities for adhering to a budget may be fixed on particular individuals.

Question No.5. Distinguish between trade discount and cash discount.

Answer: Trade discount and cash discount

S. No	Trade discount	Cash discount
1	1. Trade discount is related to quantity of the goods purchased.	1. Cash discount is related to the amount of payment but not to quantity of goods.
2	2. Trade discount is issued by deduction in list price.	2. Cash discount is issued by deduction in payable amount of debtors.
3	3. Trade discount is granted with the aim of increasing sales in bulk quantity.	3. Cash discount is granted with the aim of increasing quick payment.
4	4. Trade discount is allowed to all customers.	4. Cash discount is allowed to those customers who makes a cash payment for the goods purchased.

Question No.6. Why balance sheet is prepared?

Answer: 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 called balance sheet because it is prepared in a sheet of ledger folio. While the assets are recorded on the credit side the liabilities are shown on the debit side of the balance sheet.

Preparations of balance sheet- In a balance sheet, the names of all those accounts are given which have balances i.e. accounts of assets, liabilities and owner equity. While accounts of capital and liabilities shown on left hand side are known as liabilities, assets and other debit balances are given on right hand side are called assets. Items generally included in a balance sheet are current assets, fixed assets, current liabilities, long term liabilities and capital.

Question No.7. Write the formula to calculate the retail price of a drug formulation.

Answer: There are various formulae to calculate the retail price of the drug formulation but the following formula is generally employed to calculate the retail price of drug formulation.

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

Where RP= retail price, MC = material cost, CC = conversion costs as per norms notified from time to time

.PM = cost of packing material, PC = packet charges, MAPE = maximum allowable post manufacturing expenses, ED = excise duty.

A manufacturer, importer or distributor may sell a formulation to a wholesaler at a retail price minus 20% in case of ethical drugs and minus 18% in case of non- ethical drugs. He can sell drug to a retailer

at a retail price minus 17% in case of non-ethical and 15% in case of non-ethical. The retail price of the drug formulation is required to be displayed on the label of the container.

Question No.8. What do you mean by ‘Public company’?

Answer: Public corporation: This is owned and controlled by state. This is one method of bringing under management public enterprises or activities usually of a monopolistic characters, which parliament has decided to leave no longer in private hands. Capital is provided by the government from public funds and in some cases by private investors who have the status of creditors and not of shareholders. Water and electricity is under taken for safeguard of the consumer. Education, sanitation services, private sectors may do not it in a good way. For example Life insurance corporation, HDFC, Food Corporation of India, Hindustan steel and telephone, public undertaking are being run by persons who were not appointed for their management capacity in business enterprises.

Question No.9. Differentiate between preference shares and ordinary shares.

Answer: Preference shares and ordinary shares.

S. No	Preference shares	Ordinary shares
1	1. Preference shares are not issued by owner of the company.	1. Ordinary shares are issued by the owner of the company. It is also called Equity shares.
2	2. These shares are preferred by those people who do not like to risk their capital completely and yet want an income which is higher than that if some other schemes.	2. These shareholders have risk because they get their claim only after the clearance of all other claims.
3	3. The preference shareholders get a fixed dividend from the profit and the remaining profit is divided among the ordinary shareholders.	3. The ordinary shareholders are not fixed dividend.
4	4. The shareholders are not generally paid a higher rate of dividend.	4. The shareholders are generally paid a higher rate of dividend.

Question No.10. What is a profit and loss account?

Answer: Profit and loss account reveals the net profit earned or net loss suffered by a firm in course of its business operations during the accounting period. It is prepared at the end of the financial year of the business. The main purpose for which a profit and loss account prepared is to ascertain net profit or net loss from business operations. The net income of the current year can be compared with that of the previous years and deviations in income of different periods may be analyzed to ascertain the factors responsible for such deviations, such analysis is helpful in controlling expenses incurred in running the business enterprise and in sale of good and thus eliminating wastage.

Question No.11. What are the various factors affecting the location of a drug store.

Answer: The following factors may be considered while selecting the site for starting a new drug store-

i) Hospital- If a hospital or a nursing home does not have its own drug store and the physicians have a good practice, then it is an ideal location to open a drug store nearby.

ii) Developing area- Nowadays in big cities new localities are coming up very fast. It is, therefore, an ideal place to start a new drug store, because there is no problem of competition. The drug store will be able to meet the needs of its customers by extending all types of facilities.

iii) Near to hotel, school, cinema hall and play ground- These locations are not preferable for starting a drug store because potential customers are residing quite at a distance from school premises, play ground and hotels.

iv) Highly populated residential area- Such type of area is always preferable since people may prefer to buy the required medicines during their evening walk.

Question No.12. What are the advantages of codification?

Answer: Codification is the process of assigning of code symbol or a number to a particular material for easy identification.

Advantages of codification are:

1. Ambiguity in description is avoided.
2. The length in description is minimized.
3. The codes ensure secrecy of items lying in the store.
4. Each stored item is easily identified, particularly, where the same item is known by more than one name.

For example: acetyl salicylic acid tablet is also known as aspirin tablet.

Question No.13. Write a short note on Scrap and surplus disposal.

Answer: Scrap and surplus disposal- Scrap is the residue incidentally obtained from manufacturing processes. It is usually of small value and is recoverable without further processing, e.g. powder and fine granules obtained in processing of tablets, non-returnable containers and packing cases.

The surplus items are those items which are not required by the organization. It is generally spoiled raw materials, rejected components, defective parts and equipments. The scrap may be classified into the following types-

- (1) Legitimate scrap (2) Administrative scrap (3) Defective scrap (4) Control of scrap

Question No.14. Write the difference between Wholesale trade and retail trade.

Answer: Wholesale trade and retail trade.

S. no	Wholesale trade	Retail trade
1.	In this trade, the sales of goods in comparatively large quantity to those traders who are in direct contact with the consumers and retailer.	In this trade, the retailer supplies the requirements of consumers in small quantities as per their need.
2.	The wholesaler serves as a link between the producer or manufacturer of goods and retail traders.	The retailer serves as a link between the wholesaler or consumer.
3.	In pharmaceutical trade wholesaler dealer, super distributor plays the role of wholesaler.	In pharmaceutical trade, the chemist or the druggist plays the role of a retailer.

Question No.15. Name the various branches of accounting.

Answer: Accounting: Accounting is a systematic recording, reporting and analysis of financial transactions of a business. Branches of accounting are: (a) Financial accounting (b) Cost accounting (c) Management accounting

(a) Financial accounting – It is concerned with the process of systemic recording of business transactions in the various books of accounts maintained by the organization. The financial statement contains two forms-(i) Profitability statement (ii) Balance sheet

(b) Cost accounting- Cost accounting is the process of classifying and recording of the expenditure in a systematic manner. Main objective of the cost accounting is to helps management in excersing strict control over cost.

(c) Management accounting:- It is the process of analysis and interpretation of financial data collected with the help of financial and cost accounting.

Section- C

Attempt any five questions. Each question carries five marks.

5×5 =25

Question No.1. What is the price determination?

Question No.2. Explain the term multiple shops.

Question No.3. What do you understand by marketing research?

Question No.4. Write a short note on general and limited partnership.

Question No.5. List the differences between departmental store and a multiple shop.

Question No.6. What are different channels for distribution of good? Describe in detail various types of middleman.

Question No.7. What do you understand the term industry. Classify various types of industries.

Question No.8. Name the various media of advertisement. What are its advantages?

Question No.9. Differentiate between Journal and Ledger.

Question No.10. Differentiate between Book keeping and accountancy.

Question No.11. Write a short note on Dual aspect concept.

Question No.12. Differentiate between Balance sheet and Profit and Loss accounts.

Question No.13. Write a note on ABC analysis.

Question No.14. Enumerate the various techniques of inventory control and its functions.

Question No.15. Write a note on sales promotion.

Question No.16. What is the recruitment? Write the various steps involved in the selection of employee.

Question No.17. Differentiate between Internal user & external user.

Question No.18. Differentiate between Trial balance & balance sheet.

Question No.19. Write the difference between Sole proprietorship & partnership.

ANSWER

Question No.1. What is the price determination?

Answer: The drug and other related materials which are stored in the drug stores are ultimately sold to the patients against prescription of the registered medical practitioners. The price which is going to be charged from the customer can be calculated by adopting any one of the methods given below-

1. First in first out method (FIFO) - Under this method, the material which are received first are issued first. The issues are priced at the cost price of the oldest consignment till it gets exhausted. As soon as the oldest lot is exhausted, the issues are priced at the cost price of the next of oldest lot in the sequence. The closing stock is valued at the latest purchase price.

2. Last in first out method (LIFO) - In this method the price of the latest consignment in stock is used for calculating the value of issue until that consignment is exhausted.

3. Average cost method- In this method when a new stock of goods is received the the total value of goods in stock is divided by the total quantity in hand and this will give the average price. This method has an advantage when the prices are subject to constant change.

4. Replacement price method- This method is also known as market price method. In this method the materials are priced at the prevailing market price on the date of issue.

5. Inflated price method- This method is used for those goods which are subject to some wastage. The total amount paid is divided by the quantity expected to be finally available for use and that rate is used for sale of goods.

Question No.2. Explain the term multiple shops.

Answer: Multiple shops or chain stores are the groups of shops in the same branch of retail trade. A single business firm opens a number of branch shops which are situated at different localities in the city or different parts of country. The main object is to provide shopping facilities near the residence of the

would be customers. All the branches are centrally controlled and have uniformity of operations. Each branch deals in a similar line of goods. Examples of multiple shops system are Dabur, Hamdard etc.

Advantages:

1. The fixed price and standard quality of goods helps in winning the confidence of the customers.
2. In multiple shops sales are made strictly on cash payment. So there is practically no loss due to bad debts.

Disadvantages:

1. Multiple shops deal in a limited range of products. So the customers do not have a wide choice.
2. There is no provision for any facilities to its customers.

Question No.3. What do you understand by marketing research?

Answer: Marketing means the performance of business of business activities that direct the flow of goods and services from producer to consumer. Marketing research involves the collection and analysis of data or information bearing on the different aspects of the marketing effort of a firm, There are two sources from which the required information of market trends can be collected.

1. Internal sources- The internal sources such as, statistics of sales turnover, advertising expenditure, transports cost etc.

2. External sources- These are two external sources from which the required information can be collected-

(a) Primary sources (b) Secondary sources

a) Primary research- The survey techniques are used to collect information from the primary sources. The primary sources of market information are: salesmen, dealers and consumers.

b) Secondary sources- There are certain agencies which gather the information after doing the proper survey of the market and present the data in a printed form. The main sources of secondary data for market research are: trade press, trade associations, published surveys, government and international publication.

Question No.4. Write a short note on general and limited partnership.

Answer: General Partnership: A general partnership (the basic form of partnership under common law) is an association of persons or an unincorporated company with the following major features:

- Created by agreement and proof of existence.
- Formed by two or more persons.
- The owners are all personally liable for any legal actions and debts the company may face, unless otherwise provided by law or in the agreement.

It is a partnership in which partners share equally in both responsibility and liability

Limited Partnership: A limited partnership (LP) is a form of partnership similar to a general partnership, except that where a general partnership must have at least two general partners (GPs), a limited partnership must have at least one GP and at least one limited partner

The GPs are, in all major respects, in the same legal position as partners in a conventional firm, i.e., they have management control, share the right to use partnership property, share the profits of the firm in predefined proportions, and have joint and several liability for the debts of the partnership.

Question No.5. List the differences between departmental store and a multiple shop.

Answer: Departmental stores and multiple stores

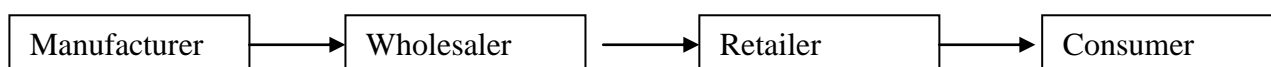
S. no.	Departmental stores	Multiple stores
1.	They do not have uniform pricing system.	The prices are uniform in all branches.
2.	They are located in the centre of the city to attract a large number of customers.	Multiple shops are established in various localities of city for all convenience of customers
3.	They provide a number of services and amenities.	There is no provision for services or amenities.
4.	They sell the goods both on cash and on credit basis.	They sell the goods only on cash basis
5.	Departmental stores are deal in a wide variety of product.	Multiple shops specializes in one line of goods.

Question No.6. What are different channels for distribution of good? Describe in detail various types of middleman.

Answer: Channel of distribution: Distribution means the process of transferring the product from the factory into the hands of its consumer. The distribution channels may be grouped under two major heads: (1) Direct selling (2) Indirect selling.

Direct selling: When the manufacturer sells his goods directly to the consumer. There is no intermediary between them e.g. marketing of industrial products like heavy machinery and the goods is sold through mail order.

Indirect selling: In this case, there are one or two middlemen or intermediaries are involved in between the manufacturer and the consumer. For example



Types of middleman- There are two types of middleman-

- a) Functional middlemen
- b) Merchant middlemen

a) Functional middlemen- The functional middlemen are those intermediaries who perform various marketing functions without having any title of goods. The following middlemen are under this category:-

(i) Brokers (ii) Commission agents (iii) Auctioneers (iv) Del credere agents

b) Merchant middlemen:- They work for profit. They acquire and transfer the title to goods in their own name. The middlemen covered under this category are: (i) Wholesalers (ii) Retailers

Question No.7. What do you understand the term industry. Classify various types of industries.

Answer: The term industry refers to a field or an organization involved in the production of goods or extraction of natural resources. It is a business activity, which is related to the raising, producing, processing or manufacturing of products.

Different kinds of industries are:-

1. On the basis of nature of activity

(a) Extractive industries (b) Genetic industries (c) Manufacturing industries

2. On the basis of ownership

(a) Private sector industries (b) Public sector industries (c) Joint sector industries

3. On the basis of raw material and finished goods

(a) Heavy industries (b) Light industries

4. On the basis of capital investment

(a) Small scale industries (a) Large scale industries

Question No.8. Name the various media of advertisement. What are its advantages?

Answer: Advertisement is an art, used to familiarize public with the product by informing of its description, uses, its superiority over other brand, sources of its availability and price etc.

Media for advertising- The means used to transmit the message from the advertiser to the public is known as the advertising media.

1) Press advertisement: For example newspaper and magazines.

2) Literature advertisement: For example letter, leaflets etc.

3) External advertisement: For example posters on walls and electric display.

4) Miscellaneous advertisement: For example T.V., radio, window display, cinema slides etc.

Advantages of advertisements: 1. It helps in uniformity and stability of price.

2. It helps in the introduction of new products in the market.

3. It enables the manufacturing to expand his market.

4. It helps in creating a demand and hence a regular production.

Question No.9. Differentiate between Journal and ledger.

Answer: Journal and ledger.

S. no	Journals	Ledger
1.	It is the book of original entry.	1. It is book of secondary entry.
2.	It is the book for chronological record.	2. It is the book for analytical record.
3.	The unit of classification of data within the journal is the transaction.	3. The unit of classification of data within the ledger is the account.
4.	From the books of original entry, the entries are transferred to the ledger.	4. From the ledger trial balance is drawn and then financial statements are prepared from it.
5.	The process of recording entries in the journal is called "Journalising"	5. The process of recording entries in the ledger is called "Posting".
6.	In journal there is one column for particulars and two columns for amount one for debit and another for credit.	6. In ledger there are two equally divided sides having identical columns. The left side is known as debit side and right side is known as credit.
7.	Balancing is not done.	7. All the accounts are balanced.

Question No.10. Differentiate between Book keeping and accountancy.

Answer: Book keeping and accountancy

S. no	Book-Keeping	Accountancy
1.	The records under book-keeping are not meant for outside parties.	It gives required information to all the related outside parties.
2.	Supporting documents called vouchers are prepared for the records made under book-keeping.	The records under book-keeping are basic for accounting information.
3.	Book-keeping work is often done by junior staff, whose responsibility is much less.	Accounting work is done by senior accountant whose responsibility is much greater in the organization.
4.	Records under the book-keeping do not show results business transaction.	In accounting results of a business are fully made available.
5.	It is concerned with totally and balancing of various accounts in the ledger.	It helps in the preparation of trial balance and checking the arithmetical accuracy of accounts.

Question No.11. Write a short note on Dual aspect concept.

Answer: Dual aspect concept- The main aim of doing business is to earn profit. The profit earned is added to the capital at the end of the accounting period. Capital is what remains to the owner when all

outside liabilities are paid off from the available assets of the business and can be compound by the following balance sheet equation:- $\text{Capital} = \text{assets} - \text{liabilities}$

$$\text{or } \text{Assets} = \text{liabilities} + \text{capital}$$

The equation is the basis of accounting. The above equation can be elaborated further by replacing the term 'liabilities' and 'assets' by various types of liabilities and assets.

$$\text{Assets} = \text{Capital} + \text{Liabilities}$$

$$\text{E.g. building} = \text{Proprietor's capital} + \text{Loan}$$

Whenever any transaction take place, it has to be recorded in two or more accounts to balance the equation. This concept of recording transaction is called Double entry system.

Question No.12. Differentiate between Balance sheet and Profit and Loss accounts.

Answer: Balance sheet and Profit and Loss accounts

S. no	Balance sheet	Profit and loss accounts
1.	The personal accounts and real accounts are shown.	The nominal accounts are shown.
2.	The aim of balance sheet is to know the financial position of the business.	The aim of profit and loss account is to provide information regarding net profit or loss.
3.	It is only statement of assets and liabilities.	It is a ledger account giving information about debits and credits.
4.	It is a statement and the words 'To' and 'By' are not used.	It is an account, so the words 'To' and 'By' are used.
5.	The total on both sides of a balance sheet is always the same.	The balance of the profit and loss account indicates profit or loss.

Question No.13. Write a note on ABC analysis.

Answer: ABC analysis (or Selective Inventory Control) is an inventory control technique. ABC analysis divides an inventory into three categories "A items" with very tight control and accurate records, "B items" with less tightly controlled and good records, and "C items" with the simplest controls possible and minimal records.

The ABC analysis provides a mechanism for identifying items that will have a significant impact on overall inventory cost, while also providing a mechanism for identifying different categories of stock that will require different management and controls.

The ABC analysis suggests that inventories of an organization are not of equal value. Thus, the inventory is grouped into three categories (A, B, and C) in order of their estimated importance.

'A' items are very important for an organization. Because of the high value of these 'A' items, frequent value analysis is required. In addition to that, an organization needs to choose an appropriate order pattern (e.g. 'Just- in- time') to avoid excess capacity. 'B' items are important, but of course less important than 'A' items and more important than 'C' items. Therefore, 'B' items are intergroup items. 'C' items are marginally important.

Examples of ABC class are

- 'A' items – 10% of the items accounts for 70% of the annual consumption value of the items.
- 'B' items - 30% of the items accounts for 25% of the annual consumption value of the items.
- 'C' items - 70% of the items accounts for 10% of the annual consumption value of the items.

Question No.14. Enumerate the various techniques of inventory control and its functions.

Answer: Inventory control: An inventory can be described as the sum of the value of raw materials, fuels and lubricants, spare parts, maintenance consumables, semi-processed materials and finished goods stock of a business firm at any given point of time.

Objective of Inventory control:-

The main purpose of having an inventory control is:-

- 1) Maximum customer service
- 2) Minimum Inventory investment
- 3) Low cost plant operation.

Functions of inventory control:-

- 1) To keep the inventories as low as possible consistent with the market conditions.
- 2) To forecast market and economic conditions of supply as regards availability of materials.
- 3) To maintain a sufficient stock of finished product to meet the reasonable expectations of customers for prompt delivery of goods.
- 4) To maintain proper records so as to supply accurate and regular material reports to the management.
- 5) To minimize out of stock danger, which result in crash purchase at uneconomical rate .

Techniques of inventory control: The following are different techniques commonly used to control the Inventory:

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

Question No.15. Write a note on sales promotion.

Answer: Sales promotion: The main aim of any business is to earn maximum profit and this is possible only through maximum sales. The maximum sales can be achieved by using various techniques of sales promotion.

Objective of sales promotion:

- 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 popularize a brand name of the product
- 6) To assist salesman and the dealers
- 7) To induce customers to purchase more items.

Techniques of sales promotion:

- 1) **Free sample:** Many pharmaceutical firms send their medical representatives to the physicians for detailing and distribution of free samples of their manufactured goods.
- 2) **Trading stamps:** Trading stamps are issued to customers through the retailers in proportion to the amount of purchase. The customer goes on collecting the stamps on his purchases. Once he has collected stamps of an adequate amount, he obtains a free product in exchange of his stamps.
- 3) **Coupons:** A firm may distribute the coupons through mail, newspapers, magazines or retailers. The holders of coupons can buy the product at a discount from the retailers.
- 4) **Premium or bonus offer:** In this technique the firm offers a certain quantity of the product free of cost on the purchase of a specified quantity of the product.

Question No.16. What is the recruitment? Write the various steps involved in the selection of employee.

Answer: Recruitment - Recruitment is the process of exploring the source of supply of the required personnel and stimulating the prospective employees to apply for jobs in the organization. Its purpose is to create a pool of candidates from which the most suitable persons may be selected for the job.

Selection: A well-organized selection procedure has to be adopted to select suitable candidates for various jobs. The following selection procedure is generally adopted.

- 1) **Scrutiny of applications:** The applications received upto the due date are carefully scrutinized. The incomplete applications and applications of candidates who do not fulfill the required eligibility conditions are rejected.
- 2) **Preliminary interview:** The candidates considered suitable on the basis of their applications are called for a preliminary interview.

3) Selection test: It may be a written or an oral test. The technical knowledge and administrative capability can be judged from these tests. The following tests are commonly used in the selection process:-

(a) Intelligence tests, (b) Aptitude tests, (c) Trade tests, (d) Personality tests.

4) Selection interview:

A face-to-face dialogue between the employer or his representatives and the interested candidate is the most popular tool of selection. The main purpose of a selection interview is:-

- a) To find out the suitability of the candidate.
- b) To cross check the information revealed in the application and the tests.
- c) To give to the candidate an accurate picture of his job and the enterprise.

Question No.17. Differentiate between Internal user and external user.

Answer: Internal user and external user

S.no	Internal users	External users
1.	The officers and staff of bank fall in this category.	The investors, creditors, tax authorities, labour union, customers fall in this category.
2.	They are direct information about the financial state of business concern.	They are not direct information about the financial state of business concern.
3.	The information required by internal users are- a) The products which are more profitable. b) The cost of manufacturing each product. c) The money required to expand the business.	All these information are not required by the external users.
4.	The internal users are not interested in the information	The external users are mostly interested in the information of the assets and liabilities of the business enterprise to evaluate its financial position, the performance and the earning capacity of the business enterprise.

Question No.18. Differentiate between Trial balance and balance sheet.

Answer: Trial balance and balance sheet

S.no	Trial balance	Balance sheet
1.	It is prepared to check the arithmetical accuracy of posting of transactions to the ledger	It is prepared to know the financial position of Business enterprise on a given date.
2.	It shows debit balance and credit balances.	It shows liabilities and assets.
3.	Trial balance is not recognized by the court.	Balance sheet is recognized by the court.
4.	It is not essential to prepare a trial balance.	It is essential to prepare a balance sheet at the end

		of the accounting period.
5.	Generally the opening stock appears in a trial balance and not the closing stock.	Only the closing stock appears on the assets side of the balance sheet.

Question No.19. Write the difference between Sole proprietorship and partnership.

Answer: Sole proprietorship and partnership

S.no	Sole proprietorship	Partnership
1	A single person is the owner of the business.	Two or more persons, upto a maximum of twenty can join together to run the business.
2	The business is managed and controlled by the proprietor.	The business is managed and controlled by the partners.
3	The business is unstable. It ends with the death or insolvency of the proprietor.	The business is relatively more stable.
4	The capital is investment is managed by the proprietor.	The capital is invested by the the partners in agreed ratio.
5	The sole proprietor is free to change the pattern of management at any time.	It depends upon the consent of the partners.

Section-D

Each question carries Ten marks.

1×10 =10

Question No.1. Explain wholesaler and retail departmental store in detail.

Question No.2. Write a note on qualities of a salesman.

Question No.3. Discuss in brief about functions of commercial banks.

Question No.4. Write the short note on Ledger.

Question No.5. Write a note on Trial balance.

Question No.6. Explain the training and compensation to an employee in brief.

Question No.7. Write a note on various activities which are pertaining to trade.

Question No.8. Write a short note on Economic order quantity (EOQ) and their methods.

Question No.09. Write a short note on: (a) Tenders (b) Mail order business (c) Joint Stock Company

Question No.10. Explain the layout of drug store in detail.

ANSWER

Question No.1. Explain wholesaler and retail departmental store in detail.

Answer: Wholesalers: Wholesalers are those merchants who act as intermediaries' between the manufacturer and the retailer. They buy goods and commodities in large quantities from the producer and sell them to the retailers.

Classification of wholesalers

The wholesalers may be classified into three types, namely:-

(1) Manufacturer wholesalers: These wholesalers are engaged in manufacturing activities to some extent. They may not only sell their own products to the retailers but may also make large-scale purchases from other manufacturers to meet the demand of the retailers.

(2) Retailer wholesalers: These wholesalers purchase goods in bulk from the manufacturers and sell in retail to the consumers through their own shops.

(3) Wholesalers proper: These wholesalers concentrate solely on buying and selling of goods in large quantities. They are also known as distributors.

Functions of wholesalers:

The wholesaler performs the following important functions:-

1) Assembling: The wholesaler buys large varieties of goods from different manufacturers and sells them in small quantities to the retailers.

2) Distribution: The wholesaler serves to distribute goods to the retailers who are generally widely scattered.

3) Warehousing: The goods purchased from different manufacturers or producers are kept in stock in warehouses till these are distributed to retailers.

4) Transportation: The wholesaler has to move the goods from the place of its production to his own warehouse and then from there to the retailers.

5) Financing: The wholesaler provides credit facilities to the retailers and thus finances the retail trade.

6) Risk-bearing: Bulk buying and storage of goods for a length of time carries a number of risks, such as, changes in demand, spoilage or destruction of goods, loss due to theft in his warehouse. These risks are born by the wholesaler.

7) Pricing: The price fixed by the wholesaler is generally the basis on which the retailer determines the price that he will charge from his customers.

8) Grading and packaging: Some wholesalers also perform the functions of grading of products according to their quality and also pack the goods into smaller lots for retailers.

9) Market research: The wholesaler is close to the retailers and from he knows the needs of the customer. This helps in advising the producer to make goods in accordance with the demand and needs of the consumers.

Retail departmental store: It is a large retail organization comprising a number of departments each dealing in a separate line of products and work under one roof and one management. It deals in a wide range of products. The main object of a departmental store is to satisfy consumer needs at one place to save botheration to consumers.

Advantages:

- 1) It provides great convenience in shopping because customers can get all their requirements from one place.
- 2) It keeps a large variety of goods, thus offering a good choice to customers, when they buy the required goods.
- 3) The departmental stores are located mainly in the central part of the city. So it is convenient for all types of consumer to visit it.
- 4) It buys its requirements in large quantities which reduces its cost and increases the profit.
- 5) Due to huge sale in department stores the selling cost per unit becomes very low.
- 6) It provides telephone facilities, recreation facilities and free home-delivery facility to its customers.

Disadvantages:

- 1) The initial cost of running a departmental store is relatively very high.
- 2) It is generally located in a central place. People living at a distant place find it difficult to visit the departmental store.
- 3) The sales are controlled by employees, so the owner of the departmental store cannot establish personal contact with his customers.
- 4) Since each department in a departmental store works independently or there may not be any personal contact or coordination between the various departments in a departmental store.
- 5) The overhead expenses of a departmental store are comparatively high because extra facilities are provided to attract customers.

Question No.2. Write a note on Qualities of a salesman.

Answer: Qualities of a salesman: A person who is engaged in selling goods to the customers is known as a “salesman”. It is essential to engage well-qualified trained, energetic and young person as the company’s sales force.

Qualities of a salesman:

- (1) Personal qualities (2) Mental qualities (3) Social qualities (4) Vocational skills

Personal qualities:

- 1) A good salesman must have an attractive personality.
- 2) He must possess good health and sound physique.
- 3) He should have a clear voice and his tone of speaking should be natural so as to impress the persons dealing with him.

4) He should also be well dressed because it adds to his charm.

Mental qualities:

- 1) A good salesman should possess a sound memory, presence of mind, imagination, foresightedness, sound judgement and initiative.
- 2) He should be intelligent enough to understand the nature and requirements of potential buyers.
- 3) He must have the imagination to look at things from the viewpoint of the customer.

Social qualities:

- 1) A good salesman must have a liking for people and ability to mix with them.
- 2) He should be sincere, dependable, cooperative and honest.
- 3) A salesman has to deal with different types of customers. Therefore he should have patience to listen to his customer and remove their objections.
- 4) He should always be polite and courteous while dealing with his customers.

Vocational skills:

- 1) A good salesman must have specified knowledge of selling techniques.
- 2) Salesman is a highly skilled vocation. It requires certain training and aptitude to have a thorough knowledge of the product.

Question No.3. Discuss in brief about functions of commercial banks.

Answer: The main functions of commercial banks are accepting deposits from the public and advancing them loans. However, besides these functions there are many other functions which these banks perform. All these functions can be divided under the following heads:

1. Accepting Deposits:

The most important function of commercial banks is to accept deposits from the public. Various sections of society, according to their needs and economic condition, deposit their savings with the banks.

2. Giving Loans:

The second important function of commercial banks is to advance loans to its customers. Banks charge interest from the borrowers and this is the main source of their income.

- (i) Cash Credit
- (ii) Demand loans
- (iii) Short-term loans

3. Over-Draft:

Banks advance loans to its customer's upto a certain amount through over-drafts, if there are no deposits in the current account. For this banks demand a security from the customers and charge very high rate of interest.

4. Discounting of Bills of Exchange:

This is the most prevalent and important method of advancing loans to the traders for short-term purposes. Under this system, banks advance loans to the traders and business firms by discounting their bills. In this way, businessmen get loans on the basis of their bills of exchange before the time of their maturity.

5. Investment of Funds:

The banks invest their surplus funds in three types of securities—Government securities, other approved securities and other securities. Government securities include both, central and state governments, such as treasury bills, national savings certificate etc.

6. Agency Functions:

Banks function in the form of agents and representatives of their customers. Customers give their consent for performing such functions. The important functions of these types are as follows:

- (i) Banks collect cheques, drafts, bills of exchange and dividends of the shares for their customers.
- (ii) Banks make payment for their clients and at times accept the bills of exchange: of their customers for which payment is made at the fixed time.
- (iii) Banks pay insurance premium of their customers. Besides this, they also deposit loan installments, income-tax, interest etc. as per directions.
- (iv) Banks purchase and sell securities, shares and debentures on behalf of their customers.
- (v) Banks arrange to send money from one place to another for the convenience of their customers.

7. Miscellaneous Functions:

Besides the functions mentioned above, banks perform many other functions of general utility which are as follows:

- (i) Banks make arrangement of lockers for the safe custody of valuable assets of their customers such as gold, silver, legal documents etc.
- (ii) Banks give reference for their customers.
- (iii) Banks collect necessary and useful statistics relating to trade and industry.
- (iv) For facilitating foreign trade, banks undertake to sell and purchase foreign exchange.
- (v) Bank does the under-writing of shares and debentures also.

Question No.4. Write the short note on Ledger.

Answer: Ledger: Ledger is a statement of entire transactions and events relating to numerous personal, real and nominal accounts which took place during a given period of time and present their net position. The net position is shown by the ledger because it brings the similar transactions together at one place. In other words, ledger is a book which contains various accounts. Ledger may be kept in any of the following two forms. (i) Bound ledger and (ii) Loose leaf ledger

It is becoming common to keep the ledger in the form of loose leaf cards these days. This helps in posting transactions especially when mechanized system of accounting is used.

Format of ledger: Name of account

Date	Particulars	Folio	Amount	Date	Particulars	Folio	Amount

Types of ledger:

A small-sized business whose financial transactions and events are few, can maintain all accounts i.e. personal, real and nominal in a single ledger. In large scale business, where number of transactions is pretty large, the ledger may be divided into following categories:-

(i) Creditors ledger (ii) Debtors ledger (iii) General ledger

(i) Creditors’ ledger: The ledger contains the individual accounts of the creditors/suppliers who have supplied goods on credit basis. Creditor’s ledger is also known as ‘Purchase Ledger’.

(ii) Debtors ledger: In this ledger, the accounts of customers are maintained to whom goods are sold on credit. Debtor’s ledger is also known as ‘Sales ledger’.

(iii) General ledger: Creditors ledger and debtors ledger is related to the personal account of suppliers and customers respectively, so general ledger is termed as ‘impersonal ledger’. In this ledger all accounts except debtors and creditors are maintained.

Source of ledger: Journal and subsidiary books (cash book, purchase book, sales book, return books, bills receivable book and bills payable book etc.) are the major sources of ledger.

Ledger Posting: The term ‘posting’ means transferring the debit and credit items from the journal to their respective accounts in the ledger.

Methods of posting:

The posting may be made by any of the following methods:-

- i) The book-keeper may take a particular side first.
- ii) The book-keepers may take a particular account and post all debits and credits relating to that account appearing on one particular page of the journal.
- iii) The book-keeper may complete posting of each journal entry before proceeding to next journal entry.

Question No.5. Write a note on Trial balance.

Answer: Trial balance: In order to check the arithmetical accuracy of ledger accounts, the debit and credit balances of the ledger accounts are listed in their ledger order with the debit balances in one column and the credit balances in another and added separately and their totals compared. This list is called ‘trial balance’. Trial balance is thus a list of account-names whose balances are classified as debits and credits to facilitate separate totaling.

Features of trial balance:

The following are the features of trial balance:-

- i) Trial balance is a statement or a schedule.
- ii) It contains the list of balances of ledger accounts.

iii) It is prepared to check or test the arithmetical accuracy of the books of accounts.

Objectives of trial balance:

- 1) Checking of the arithmetical accuracy of accounting.
- 2) Preparation of financial statement
- 3) Summarized ledgers.

Methods of preparing trial balance:

The trial balance can be prepared by any of the following methods-

- 1) Total method:** Under total method, trial balance is prepared with the help of total of debit side and credit side of each ledger accounts before these ledger accounts is balanced. The books of accounts are considered to be correct if the total of debit column is equal to total of credit column.
- 2) Balance method:** Under balance method, trial balance is prepared after balancing the accounts. Accounts showing debit balances are written in debit column and accounts showing credit balances are put in credit column.
- 3) Total cum balance method:** This method is a combination of the first two methods. Trial balance is prepared under this method has two columns for totals of various accounts and another two columns for balances.

Question No.6. Explain the training and compensation to an employee in brief.

Answer: Training

Training is the scientific process of improving the knowledge and skills of the employees for doing a particular job. It is an organized activity through which people learn and acquire new skills and job knowledge. The main purpose of the training is to train the employees so that they can do their job in a more efficient way.

Types of training:

There are five types of training, which are as under: -

- 1) Induction training:** It refers to the process of introducing the new employees to the organization as well as to the existing staff members. The policies, procedures and regulations of the organization are made known to them.
- 2) Promotional training:** In many organizations, training is given to the existing employees to meet the requirements of the higher post. Such training is called promotional training.
- 3) Refresher training:** The training is given to the employees in order to update their knowledge with respect to the latest development in their respective fields.
- 4) Job training:** The training is given to the newly recruited employees. The instructions are given by a supervisor to the new workers so that they can work smoothly in the new environment.
- 5) Safety training:** The training is given to workers to handle the dangerous machines and materials in order to avoid accidents.

Compensation to the Pharmacist

Adequate compensation helps in retaining good employees and encourages them to work wholeheartedly. The compensation includes salary and other benefits, such as house rent allowance, free residential accommodation, medical allowance, group insurance scheme, leave, travel concession, bonus, traveling allowance, and other supplementary retirement benefits. In order to maintain the interest of an employee in his job, the compensation plan may cover the following points: -

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.

Simplicity: The compensation plan should be simple so that the employees can easily understand it. It is always easy to implement a simple compensation plan.

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

Proportionate award: The plans are framed in such a way that the pay of the employee should be proportionate to the volume of sales made by him. The salesman who is doing a better job than his fellow salesmen must be given a greater reward. Thus, good sales effort should be suitably compensated.

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. A periodical increment should be given to the employee to compensate his long service.

Question No.7. Write a note on various activities which are pertaining to trade.

Answer: The various activities pertaining to trade are:-

Banking: Banking removes the hindrance of finance and credit. These days the business units are mostly engaged in large-scale production, often anticipating sufficient demand of their goods. So it may not be possible for the owner to have the required finance all by himself. A lot of funds are needed to run a business smoothly.

Transport:- The transport system removes the hindrances of place. It assists trade by moving goods from the place of its production to locations where these are to be sold for consumption. There are various means of transport for moving goods from one place to another, such as rail, road, air, water, and pipeline transport etc. The railways are the most effective means for movement of goods.

Insurance: Insurance removes hindrance of risks. Any business activity entails various types of risks. In lieu of payment of a premium, the insurance company promises to compensate the insured party in the event of suffering a specified loss. In business, loss suffered as a result of fire, theft, floods, accidents, loss of goods in transit etc., can be covered through insurance.

Warehousing: Warehousing removes hindrance of time. Warehouses are places meant for storage of products. Three types of warehouses provide storage facilities: -

(i) Private warehouses (ii) Public warehouses (iii) Bonded warehouses

Packaging: Packaging removes hindrance or risk of spoilage etc. The products, after their manufacture, are required to be packed properly to protect the same during handling and transportation.

Advertising and publicity: Advertising and publicity takes care of the hindrance of knowledge. Advertising and publicity can be undertaken through radio, T.V., newspapers, magazines, posters on the walls, distribution of pamphlets and samples, sign boards, window display, trade fair and exhibitions.

The main object of advertising and publicity is to create, sustain and increase the demand of goods produced by the manufactures.

Question No.08. Write a short note on Economic order quantity (EOQ) and their methods.

Answer: Economic order quantity (EOQ): 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 the minimum. The ordering cost consists of the cost of paper-work involved in placing an order, like use of paper, typing, posting, filing etc. It also includes the cost of the salaries of staff involved in this work, the costs incidental to placing an order like follow-up, receiving, inspection. The ordering cost is more or less fixed. The inventory carrying cost is represented by items like rent of storage, cost of insurance and taxes, salaries of store-keeper and losses in stores due to theft, wastage, breakage etc.

Methods for determination of economic order quantity

The following methods are generally used for determination of economic order quantity:-

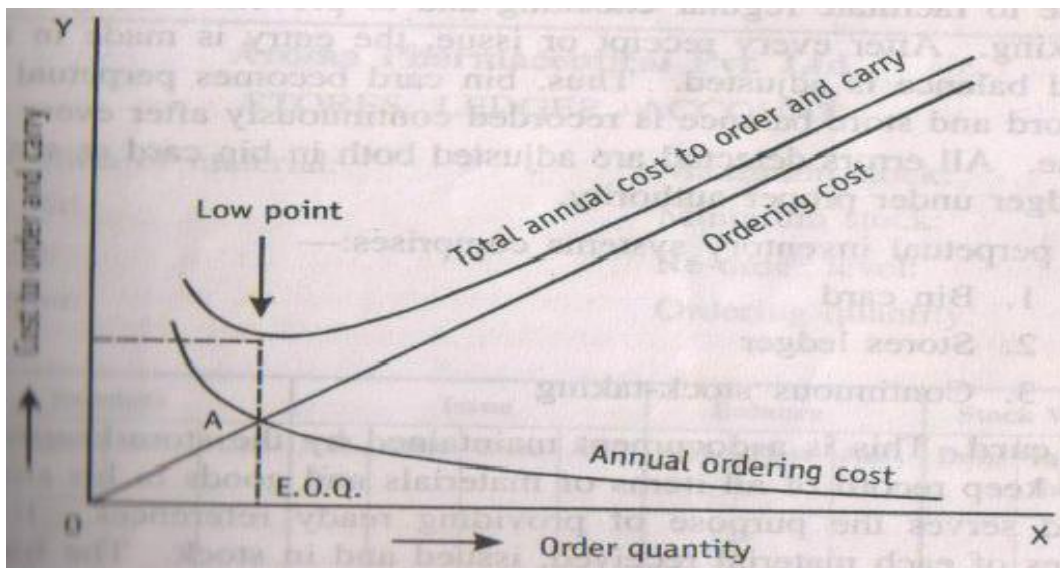
- 1) Tabular determination of EOQ
- 2) Graphic presentation of EOQ
- 3) Determination of EOQ by an algebraic formula.

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 number of orders that need to be placed weekly, quarterly, monthly or annually.

S. no	Number of orders per year (1)	Annual ordering cost (2)	Annual inventory carrying cost (3)	Total annual cost (2+3)
1	12	120	8.33	128.33
2	6	60	16.66	76.66
3	4	40	25.00	65.00
4	3	30	33.33	63.33
5	2	20	50.00	70.00
6	1	10	100.00	110.00

It is observed that the total annual costs for purchasing the items are lowest, when it is bought six times per year. The total annual cost at this frequency is Rs 40.66 per year.

2) Graphic presentation of EOQ: Economic order quantity can also be determined graphically. If a graph is plotted between order quantity and cost to order and carry, the ideal order size is the point where the sum of both the costs is the minimum.



3) Determination of EOQ by algebraic formula: EOQ can also be computed by using this formula.

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

Where a = annual consumption, b = buying cost per order, c = cost per unit of material, s = storage and other inventory carrying cost.

Question No.09. Write a short note on: (a) Tenders (b) Mail order business (c) Joint Stock Company.

Answer: (a) Tenders:- A tender or a quotation is a written offer to do a work or to provide a material at a given price within a prescribed period and under specified condition.

Types of tenders:- (i) Open tender (ii) Limited tender (iii) Single tender (iv) Oral tender (v) Global tender

(i) Open tenders:- These tenders are called by advertisement when the sources of supply are many and total value of items to be purchased is large. The tenders are given in newspapers. After receiving the tenders from various suppliers, a comparative statement of rates as well as terms and conditions quoted by different firms is prepared.

(ii) Limited tenders:- The system is used only in those cases where the value of tender is moderate. The tenders are invited only from those firms which are on the approved list of supplier.

(iii) Single tenders:- When the items to be purchased are proprietary in nature or the order is to be repeated within a short period, the tender is send only to a single supplier who is dealing with the items of specific specification.

(iv) Oral tenders:- In case of supplies are of minor character and are urgently required, a urgently required, a person or a 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 from the supplier which has quoted the minimum price of specified items.

(v) Global tender:- The tenders are invited from all parts of the world. These are for large contracts for supplies from foreign countries or when foreign collaboration is required in the proposed project.

(b) Mail order business:- Mail order business is a type of retail trade in which all business activities take place through mail (post). Generally the goods are sent through V.P.P (value payable post).

Types of mail order business: (i) Manufacture mail order house (ii) Department mail order business (iii) Middlemen mail order business

(i) Manufacturer mail order house:- These are established by the manufacturers for selling goods manufactured by them directly to consumer, thus eliminating the middlemen.

(ii) Department mail order business:- This is only a department of a departmental store executing orders received from outside.

(iii) Middlemen mail order business:- In this case the business house is not engaged in production or wholesale selling but concerned only with the sale of goods by mail. It purchases the required goods, partly on the receipt of orders and partly in anticipation of orders, from the wholesalers and dispatches the same by mail to the consumers.

(c) Joint Stock Company: A company is governed by the Company Act and it has to follow various provisions of the Act. Hence the company from of organization has to comply with various statutory requirements. A joint stock company is organized to carry on a business on a large scale because its capital requirements and risk obligations are too burdensome for a single individual.

Salient features of a joint stock company:-

- 1) A company is an incorporated association. It comes into existence only after registration under the Company Act 1956.
- 2) The members or shareholders are the owners of the company. The business is run by the board of directors elected by members in the general body meeting of the company.
- 3) The shareholder is always free to withdraw from the membership of a company by transferring his shares.
- 4) The liability of the members of a joint stock company is limited to the unpaid value of shares held by them.

Question No.10. Explain the layout of drug store in detail.

Answer: Layout of a drug stores: Three main factors responsible for the success of a drug store are:-

- 1) Its location and proper layout design.
- 2) Its professional management
- 3) Sound financial position.

Objective of layout design:

- 1) To attract a large number of customers.
- 2) To increase the sales of the store.
- 3) To reduce the selling expenses to a minimum.
- 4) To provide customer's satisfaction.
- 5) To project a professional image and improve general appearance.
- 6) To minimize the movement of customers within the premises of the drug store.
- 7) To provide surveillance in order to reduce the chances of pilferage and theft.

Generally, the drug stores are located on the ground floor of the building. They are usually constructed of cement concrete walls with mosaic tiles on the floor. The internal fitting usually consists of racks or storage cupboards having glass doors, drawers for storing strips, shelves and proper place for placing refrigerator. The counters of the store are made from wood having white sunmica at its top. The furniture includes a working table, wooden or steel chairs for the staff and customers.

Legal aspects of a drug store: The following are some of the legal requirements to be fulfilled for opening a retail drug store or a wholesale drug store:-

Minimum qualifications:- It is essential that a person who is interested to start a retail drug store must be Registered Pharmacist with the State Pharmacy Council. The minimum qualification to get registered with State Pharmacy Council is Diploma in Pharmacy from a recognized institution. The minimum qualification for starting a wholesale drug store is matriculation with four years experience in selling of drugs in a chemist shop on salary basis or Diploma in Pharmacy and also being registered as a pharmacist.

Minimum space: Though there is no minimum prescribed area mentioned in the Drugs and Cosmetics Act and Rules, 1945, the minimum desirable area to open a new retail drug store is 10 sq. meter. Similarly, the minimum area required to open a new wholesale drug store is 10 sq. meter. However, the minimum desirable area to open a new combined wholesale and retail drug store is 15 sq. meter.

Store arrangements: There should be a sufficient number of racks to store drugs and pharmaceutical preparations. For storage of antibiotics, vitamin products, vaccine, sera, enzymatic preparations and other preparations which are required to be stored at a temperature between 2⁰ to 8⁰C, a refrigerator is necessary.