

NCERT Solutions for Class 11

Business Studies

Chapter 10 Internal Trade

Exercises

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Short Answer Questions

Question 1: What is meant by internal trade?

Solution: Buying and selling of goods and services within the boundaries of a nation are referred to as internal trade. Purchases of goods from a local shop, a mall or an exhibition are all examples of internal trade. No custom duty or import duty is levied on these goods and services. It can be classified into two broad categories:

- (1) wholesale trade
- (2) retailing trade.

Question 2: Specify the characteristics of fixed shop retailers.

Solution: Fixed shop retailers are retail shops who maintain permanent establishment to sell their merchandise. The characteristics of fixed shop retailers are:

- (1) They have greater resources and operate at a relatively large scale as compared with the itinerant traders.
- (2) These retailers deal in different products, including consumer durables as well as non-durables.
- (3) They have greater credibility in the minds of customers.
- (4) They are in a position to provide greater services to the customers such as home delivery, repairs, credit facilities etc.

Question 3: What purpose is served by wholesalers providing warehousing facilities?

Solution: Two purpose is served by wholesalers providing warehousing facilities in following ways:

- (1) Wholesalers reduces the burden of manufacturers of providing for storage facilities for the finished products.
- (2) Warehousing by wholesalers also relieves the retailers of the work of collecting goods from several producers and keeping big inventory of the same for maintaining adequate stock of varied commodities for the customers.

Question 4: How does market information provided by the wholesalers benefit the manufacturers?

Solution: As the wholesalers are in direct contact with the retailers, they provide information and advice the manufacturers about various aspects including customer's tastes and preferences, market conditions, competitive activities and the features preferred by the buyers. This information helps manufacturers to cater to the changing needs of consumers.

Question 5: How does the wholesaler help the manufacturer in availing the economies of scale?

Solution: Wholesalers serve as a link between retailers and the manufacturers. They collect small orders from a number of retailers and pass on the pool of such orders to the manufacturers and make purchases in bulk quantities. This enables the producers to undertake production on a large scale and take advantage of the economies of scale.

Question 6: Distinguish between single line stores and speciality stores. Can you identify such stores in your locality?

Solution:

S.no	Single-line stores	Speciality stores
1	These are small shops that deal in only one product for example, garments or electronics.	These stores deal only in a particular type of product from a selected product line for example, men's clothing.
2	These stores offer a wide variety of the product.	These stores generally sell all the brands of the product in which they specialize.
3	For example: If a store that deals in garments will have a wide variety of clothes in all sizes for men, women and children.	For example, if a store specializes in men's clothing, then it will have all the brands of men's garments.

On the basis of these features, we can identify the different types of stores in a locality whether they are single-line stores or speciality stores.

Question 7: How would you differentiate between street traders and street shops?

Solution:

S.no	Street traders	Street shops
1	Small retailers who generally sell low-priced consumer items on streets.	Shops are situated on street sides or main roads.
2	They do not have permanent shops.	These stores generally sell all the brands of the product in which they specialise.
3	Example: Stationery items, eatables, newspapers, etc.	Example: Clothes, shoes, grocery items, bakery items, etc.

Question 8: Explain the services offered by wholesalers to manufacturers.

Solution: The major services offered by wholesalers to manufacturers are:

- (1) Facilitating large scale production:** Wholesalers purchase goods in bulk from manufacturers and sell them to retailers in small quantities for further resale. This enables the producers to undertake production on a large scale.
- (2) Bearing risk:** The wholesalers deal in goods in their own name, take delivery of the goods and keep them in their warehouses bearing risks of fall in prices, theft, spoilage, fire, etc.
- (3) Financial assistance:** The wholesalers provide financial assistance to the manufacturers in the sense that they generally make cash payment for the goods purchased by them.
- (4) Expert advice:** Wholesalers can advise the manufacturers about various aspects like customer's tastes and preferences, market conditions, competitive activities and the features preferred by the buyers as they are in touch with retailers.
- (5) Help in marketing function:** The wholesalers take care of the distribution of goods to a number of retailers who, in turn, sell these goods to a large number of customers spread over a large geographical area.
- (6) Facilitate production continuity:** The wholesalers facilitate continuity of production activity throughout the year by purchasing the goods as and when these are produced.
- (7) Storage:** Wholesalers take delivery of goods when these are produced in factory and keep them in their godowns/warehouses.

Question 9: What are the services offered by retailers to wholesalers and consumers?

Solution: The services offered by retailers to wholesalers are:

- (1) Help in distribution of goods
- (2) Personal Selling
- (3) Enabling large scale operations
- (4) Collecting market information
- (5) Help in promotion of goods and services

The services offered by retailers to consumers are:

- (1) Regular availability of products
- (2) New product information
- (3) Convenience of buying
- (4) Trade selection
- (5) After sales service
- (6) Credit facilities

Long Answer Questions

Question 1: Itinerant traders have been an integral part of internal trade in India. Analyse the reasons for their survival in spite of competition from large scale retailers.

Solution: Itinerant retailers are traders who do not have a fixed place of business to operate from. They keep on moving with their wares from street to street or place to place, in search of customers.

The reasons for their survival in spite of competition from large scale retailers are:

- (1) They normally deal in low price consumer products of daily use such as toiletry products, fruits and vegetables, and so on.
- (2) They deal directly with consumers and are, therefore, able to give more attention to them also provide greater customer-care services by eliciting proper feedback and passing on the information to manufacturers.
- (3) They move from place to place and provide goods at the customer's doorstep which facilitates easy availability of required products.
- (4) Itinerant traders even go to those places where it is difficult to sustain a shop because of poor level of demand. They provide their services to even the remote areas.

Question 2: Discuss the features of a departmental store. How are they different from multiple shops or chain stores.

Solution: A departmental store is a large establishment offering a wide variety of products, classified into well-defined departments, aimed at satisfying practically every customer's needs under one roof. Some of the important features of departmental store are:

- (1) A modern departmental store may provide all facilities such as restaurant, travel and information bureau, telephone booth, rest-rooms, etc.
- (2) Department stores are generally located in central areas so as to attract a large number of customers.
- (3) As the size of these stores is very large, they are generally formed as a joint stock company managed by a board of directors. There is a managing director assisted by a general manager and several department managers.
- (4) They have centralised purchasing arrangements. All the purchases in a department store are made centrally by the purchase department of the store, whereas sales are decentralised in different departments.

Difference between departmental store and multiple shops:

S.no	Departmental Store	Multiple Shops
1	They offer a wide variety of products to customers.	They deal in a single line of product and specialise in it.
2	They offer a wide variety of customer services.	They offer limited customer services.
3	They are located in central parts of cities so as to attract a large number of customers.	They have multiple locations - that is, they are spread across cities or towns.
4	They do not follow a fixed pricing policy as the prices of products vary across departments.	They follow a fixed pricing policy across all the shops that are part of a particular chain.
5	These stores cater to the needs of relatively high income group of	These stores cater to different types of customers, including those

6	customers who care more for the services provided rather than the prices of the product.	belonging to the lower income groups, who are interested in buying quality goods at reasonable prices.
7	The departmental stores may provide credit facilities to some of their regular customers.	The sales are made strictly on cash basis.
8	They have certain flexibility in respect of the line of goods marketed.	There is not much scope for flexibility in these stores which deal only in limited line of products.

Question 3: Why are consumer cooperative stores considered to be less expensive?
What are its relative advantages over other large scale retailers?

Solution: A consumer cooperative store generally buy in large quantity, directly from manufacturer or wholesalers and sell them to the consumers at reasonable prices. Since the middleman are eliminated or reduced, the members get products of good quality at cheaper rates. Therefore, these stores are considered to be less expensive.

Its advantages over other large scale retailers are:

- (1) **Ease of Formation:** It is easy to form a consumer cooperative society. Any ten people can come together to form a voluntary association and get themselves registered with the Registrar of Cooperative Societies by completing certain formalities.
- (2) **Limited liability:** The liability of the members in a cooperative store is limited to the extent of the capital contributed by them.
- (3) **Democratic management:** Cooperative societies are democratically managed through management committees which are elected by the members. Each member has one vote, irrespective of the number of shares held by him/her.
- (4) **Lower prices:** A cooperative store purchases goods directly from the manufacturers or wholesalers, the role of middlemen is eliminated which results in lower prices for the consumer goods to the members.
- (5) **Cash sales:** The consumer cooperative stores normally sell goods on cash basis. As a result, the requirement for working capital is reduced.
- (6) **Convenient location:** The consumer cooperative stores are generally opened at convenient public places where the members and others can easily buy the products as per their requirements.

Question 4: Imagine life without your local market. What difficulties would a consumer face if there is no retail shop?

Solution: There are lot of difficulties people would face if there is no retail shop as these act as a link between manufacturers/wholesalers and consumers as they buy goods from manufacturers/wholesalers and sell them directly to consumers. If there is no retail shop in our neighborhood then will life become hard. For buying any simple or daily use product we would have to travel a lot of distance.

We can buy certain items as and when required if some retail stores are within the walking distance from our house. In case of emergency, we can easily get medicine and other necessary items if some shops are nearby. Otherwise, life can be very difficult. They play an essential role due to following things:

- (1) Regular availability of products:** The most important service of a retailer to consumers is to maintain regular availability of various products produced by different manufacturers. This enables the buyers to buy products as and when needed.
- (2) New products information:** Retailers provide customers information about new products, their features, prices, etc. This information helps the customers in deciding which product to buy, thus facilitating their product choice.
- (3) Convenience in buying:** Customers can buy according to their requirements. Also, they are normally situated very near to the residential areas and remain open for long hours which offers great convenience to the customers in buying products of their requirements.
- (4) Wide selection:** Retailers generally offer customers a wide variety of goods such as stationery goods, dairy products and food items.
- (5) After sales services:** Retailers provide important after-sales services in the form of home delivery, supply of spare parts and attending to customers.
- (6) Provide credit facilities:** The retailers sometimes provide credit facilities to their regular buyers which enables the customers to increase their level of consumption and, thereby, their standard of living.

Question 5: Explain the usefulness of mail order houses. What types of products are generally handled by them? Specify.

Solution: Mail order houses are the retail outlets that sell their merchandise through mail. There is generally no direct personal contact between the buyers and the sellers in this type of trading.

Advantages of mail order houses are:

- (1) **Limited capital requirement:** Mail order business does not require heavy expenditure on building and other infrastructural facilities. Therefore, it can be started with relatively low amount of capital.
- (2) **Elimination of middle men:** Mail-order houses eliminate the role of middlemen as they deal with consumers directly. This results in a substantial reduction in cost to consumers.
- (3) **Absence of bad debt:** Since the mail order houses do not extend credit facilities to the customers, there are no chances of any bad debt on account of non-payment of cash by the customers.
- (4) **Wide reach:** As goods are sent via mail, the sellers are able to pass on information about their merchandise to customers spread all over the country.
- (5) **Convenience:** Under this system, goods are delivered at the doorstep of the customers. This results in great convenience to the customers in buying these products.

Types of products which are usually handled by mail orders houses are as follows:

- Graded and standardized goods.
- Goods which can be easily transported at low cost.
- Goods which have ready demand in the market.
- Goods which can be easily described through pictures