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SUGGESTED SOLUTION

FYJC 2020

SUBJECT- O.C.

Test Code – FYJ 6085

BRANCH - () (Date :)

Head Office : Shraddha, 3rd Floor, Near Chinai College, Andheri (E), Mumbai – 69.

Tel : (022) 26836666

ANSWER : 1 **(02)**

(A)

1. Last
2. Imported by India

(B) **(02)**

A – 5
B – 2

(C) **(02)**

1. Itinerant Retailer
2. Street Traders

(D) **(02)**

1. False
2. True

(E) **(02)**

1. General stores
2. Market Trader

ANSWER : 2 **(05)**

1. **Letter of Credit :** The exporter requests importer to issue a letter of credit in his favour. The receipt of 'letter of credit' from importer's bank will clear the foreign exchange and other restrictions.
2. **One Price Shop :** The shop where the prices of all the products or goods are same is known as One Price shop. This shop sells a large variety of goods of daily use at low prices. The products irrespective of their size and quality are sold at one common uniform price. The price are fixed in advance.
   Goods like gift articles, watches, shampoos, hair products, household articles, crokery, etc.
3. **Departmental Store :** A departmental store is a large scale retail shop having different departments (sections) under one roof. Each section deals in a particular type of goods, All the departments are organized and managed by one management. It sells a large variety of goods. i.e. food, toys, dresses etc. e.g. Shoppers Stop.
4. **General Stores :** General store Retailers sell goods which are required by people for their day to day needs like food grains, soaps, stationery, medicines, oils, toffees, biscuits, plastic goods, footwear, umbrella, pens etc. These shops are generally situated near residential areas of the city or town. They provide home delivery of goods. They have variety of goods in each item. They buy the goods from wholesalers or buy directly from manufacturers.

ANSWER : 3 **(10)**

1. Import Trade and Export Trade.

Points	Import Trade	Export Trade
1. Geographic Scope	Within the national boundaries of the home country.	Varies from national boundaries of two countries to the entire globe.
2. Operating Style	Production, marketing and investments limited to home country.	Operations spread to the entire global
3. Tariff	Tariff rates of various countries do not affect the internal Trade.	Tariff rates of various countries affect the foreign trade.
4. Foreign Exchange Rates	Fluctuations in foreign exchange rate do not directly affects internal trade.	Fluctuations in foreign exchange rate directly affects foreign trade.
5. Quotas	Quota imposed on exports and imports by various countries do not directly affect the internal trade.	Foreign trade has to operate within the quotas imposed by various countries on export and imports.
6. Culture	Domestic culture of the country affects on product design.	Cultures of the various countries affects on product design.
7. Markets and Customers	Usually domestic companies meet the needs and demands of the local markets and customers.	Foreign trade needs to understand the markets and customers of various countries.

2. Departmental stores and Chain store

Point	Itinerant	Non Itinerant Retailers
1. Meaning	It is large scale retail store having various departments or sections selling different goods under one roof.	It is a retail shop owned, controlled and managed by a single organization selling one line of product, located in different parts of city.
2. Variety of goods	Deals with variety of goods in large scale.	Deals with goods of one particular manufacturer only.
3. Location	It is situated at the central location in the city.	It is situated in different parts of the city and country.
4. Capital	Requires large capital for investment.	Comparatively less capital is required.
5. Price	The price charged is very high.	The Price is comparatively less.
6. Operating cost	Operating cost is very high.	Operating cost is low.

3. General stores and Speciality stores

Point	General stores	Speciality stores
1. Meaning	It is a shop dealing with wide range of goods	It is a shop dealing with specialized products.
2. Location	Located near residential areas.	Located in shopping centers of the city.
3. Price	Prices of goods are generally low.	Prices of goods are generally high.
4. Types of goods	Day to day required goods are sold.	Only specialized goods are sold.
5. Advertisement	They do not spend on advertisement.	They spend more on advertisement.
6. Variety of Products	Less variety of products.	More variety of products.

4. Itinerant and Non Itinerant Retailers

Point	Itinerant	Non Itinerant Retailers
1. Meaning	These retailers do not have fixed	These retailers are those who have a fixed place of their business.
2. Capital	Limited capital investment.	Higher capital investment.
3. Stock of goods	They keep limited stock of goods.	They keep large stock of goods.
4. Quality of goods	They sell low quality goods.	They sell quality goods.
5. Variety of goods	They do not offer variety of goods to customer.	They offer variety of goods to customer.
6. Prices	Price is low	Price is high due to higher overhead cost.
7. Credit facility	They don't give credit facility to customer.	They provide credit facility to regular customers.
8. Choice of goods	Customers have limited choice for selection of goods.	Customers have more scope for choice of goods.
9. Door to door Service	They offer door to door service.	They do not offer door to door service.
10. After sale Service	They do not provide after sale service.	They provide after sale service on selected goods.

ANSWER : 4 **(05)**

1. **Features of departmental stores :**
   - **(a) Shopping convenience :** Departmental stores provide a wider range of goods and services under one roof hence provides maximum shopping convenience. Customers can fulfill their wants of goods at different price levels.
   - **(b) Centralized Management :** In departmental stores all the departments are independent but they are centrally owned, managed and controlled e.g. advertising, accounting, recruitment of staff, etc. All activities of departmental stores are managed at central level.
   - **(c) Wide variety of Goods :** Departmental stores provide a wide variety of goods of different brands, designs and colours.

(d) **Specialization :** Each department section deals in a separate line of product or goods with specialized services e.g. Electronics section, kitchen ware section etc.

(e) **Central location :** A departmental store prefers central place of the city. So the location becomes easy for customers to access.

(f) **Huge Capital :** Departmental store requires large capital investment. This capital is required for spacious place, storing of variety goods, salary to staff, advertisement, electricity etc.

(g) **No credit Facility :** Departmental stores work on cash basis or they accept credit cards but do not offer credit facility.

2. Features of Super Market Shop :

(1) **Location :** Super markets are generally situated at the central location of the city where there is population concentration.

(2) **Types of Goods :** In super market goods of day to day requirement are sold e.g. food, grains, tinned food, bakery products, groceries, stationery etc. At times goods which are not available with small retailers are available in super market.

(3) **Self Service :** Super market operates on self service style. There are no salesmen around in the shop. The Customers can select the goods from the information printed on the products.

(4) **Reasonable Prices :** As super market buys goods on large scale, they pass on the benefits to their customers by selling the goods at reasonable prices.

(5) **Capital :** Super market shop requires large capital, it is established by co – operative societies and private limited companies such as Reliance Fresh, Tata Group, Grahak Peth etc.

(6) **Cash Sales :** Goods are sold only on cash basis. No credit facilities are given to the customers. Some schemes are introduced such as cash back scheme, loyalty programme, etc. to increase cash sales.

(7) **Attractive Packing :** Packing plays important role in selling the product in the supermarket. Goods are duly packed, by giving details of quantity, quality, weight, price, contents etc.

(8) **Impulsive Buying :** Customers get induced to buy unwanted items just because of attractive packing and sales promotion schemes. The customers become impulsive buyers.

3. Features of chain store :

(a) **Low and Uniform Price :** Due to centralized buying from head office, prices are less. Low operational expenses and low cost of the goods lead to low price of commodities. There is uniformity in price in all chain stores.

(b) **Uniformity :** Every chain store has the same style of external and internal layouts with same interiors, colours, display, etc. Hence the customers can easily identify the chain store.

(c) **Limited Range of Goods :** Chain stores sell a limited range of goods produced by a particular manufacturer. Manufacturers open the chain stores by themselves or through distributors. e.g. Bata shops sells footwear manufactured by Bata Shoes Company Ltd. only.

(d) **Large Investment :** Chain store requires large financial investment. A large number of branches have to be managed in terms of salary of staff, advertisement, decoration, etc. So there is a need of large investment.

(e) **Distribution through Branches :** Chain store purchases in large scale from the producer and then distributes them through its branches.

(f) **Cash Sales :** Chain stores sell their goods on cash basis only. Cash sales avoids the problem of bad – debits.

(g) **Quality of Goods :** The chain stores sell standardized and branded goods. The quality of goods is assured to customers in chain stores.

ANSWER : 5 **(10)**

1. The wholesaler provides valuable services to manufactures and a retailers.

(A) Services to Manufacturers :

(1) Large Purchase : A wholesaler purchases a large quantity of goods from the manufacturer and sell it to retailers by collecting order from retailers.

(2) Storage : A Wholesaler has his own storage facility which he uses to fill the time gap between production and consumption of goods

(3) Transportation : A Wholesaler uses his own transportation to deliver the goods from the place of production.

(4) Financial Assistance : A wholesaler is ready to pay the amount in advance to the manufacturer, which can help the manufacturer to produce goods, within short period.

(5) Provide Market Information : manufacturer can get the updated information from wholesaler like market conditions, demand, taste etc.

(6) Risk Bearing : A wholesaler takes a risk in his business by financing and storing large quantity goods. Sometimes he may bear the loss.

(7) Marketing Functions : A Wholesaler carries various marketing functions like warehousing, advertising, sales promotion etc. on behalf of the manufacturer.

(B) Services of Retailers :

(1) Stock of Goods : A Wholesaler keeps large stock of goods. Therefore retailers can get the goods easily when the consumers ask for the goods.

(2) Regular Supply : A wholesaler assures regular supply of goods to the retailers. Therefore, retailers are free from storing goods. Retailers can supply goods to consumers as and when required by them.

(3) Risk Bearing : The wholesaler bears the risk of price and market fluctuations, large stock of goods, therefore, retailers are free from these risks.

(4) Financial Support : Wholesalers provide financial support by way of credit facility, discounts etc. Such support increases the effect of working capital of the retailer.

(5) Market Information : Wholesalers provide variety of information about market condition of different products. This information is regarding new products, variants of products, new schemes on existing products etc. Sometimes, wholesalers guide retailers about, when to buy, how to buy etc.

(6) Sales Promotion : A wholesaler does advertisement and also promotion of the goods which can help the retailer to increase the sales.

2. Import Trade :

Meaning :

Import trade refers to the purchase of goods and services from foreign country. The procedure for import trade differs from country to country depending upon the import policy, statutory requirements and customs policies of difference countries. In almost all countries of the world import trade is controlled by the government. The objectives of these controls are proper use of foreign exchange restrictions, protection of indigenous industries etc.

Import Procedure :

(A) Preliminary Stage :

(1) Registration : The Importer has to get himself registered with various authorities as follows :
- (i) Directorate General Foreign Trade to obtain Import – Export Certificate Number.
- (ii) Income Tax authority to obtain Permanent Account Number.
- (iii) Formalities regarding GST.

(2) Negotiation : The importer must hold negotiation with overseas suppliers regarding –
- (i) Price of goods
- (ii) Delivery schedule
- (iii) Credit Period
- (iv) Terms and Condition regarding sale, Payment and delivery

(B) Pre – Import Stage

(1) Quota Certificate : Certain items are subjected to quota restrictions. The Importer needs to obtain import quota certificate from government authorities.

(2) Foreign Exchange Clearance : The Importer needs to obtain foreign exchange clearance from RBI. The Importer should forward the application for the same through his bank.

(3) Order Placement : After obtaining foreign exchange clearances from RBI, the importer places an order with the overseas suppliers. This order is called as indent. The importer negotiates the terms and conditions of the import contract and places the order.

(4) Letter of Credit (LC) : The exporter normally request for LC. The LC is an undertaking given by the importer's bank guaranteeing the payment to the exporter on behalf of importer. The LC is the safest method of payment in foreign trade. Therefore the importer has to obtain LC from his bank in favour of the exporter.

(5) Clearing and Forwarding Agent (C & F Agents) : The importer has to appoint C & F agents to undertake various custom formalities and documentation work in respect of import of goods.

(6) Shipment Advice : The shipment advice enables the importer to make necessary arrangement for custom clearance and unloading of goods sent by the Exporter.

(C) Import Stage

(1) Receipt of Document : The importer receives the documents sent by the exporter through his bank. The documents include :

(a) Bill of Lading (b) Packing List (c) Commercial Invoice (d) Certificate of Origin (e) Certificate of Inspection etc.

(2) **Bill of Entry :** C & F agents prepare bill of entry which is required for custom clearance. The bill of entry give details about number of packages quality of goods, price of goods etc.
(3) **Delivery Order :** The C & F agent obtain delivery order from the shipping company. The shipping company gives the delivery order on payment of freight. Delivery order helps to unload the goods from vessel.
(4) **Custom Clearance :** The purpose of custom clearance is to get the document certified from custom authority. The document includes bill of lading, bill of entry and packing list.

(D) Post – Import Stage

(1) **Port Trust Dues :** The C & F agents has to make payments of port trust dues.

(2) **Custom Duty :** The C and F agent has to make payment to custom authorities in respect of importing goods.
(3) **Insurance Premium :** The Importer has to make payment under FOB (Free on Board) contract.
(4) **Payment of Freight :** The Importer has to make payment of freight under shipping contract.
(5) **Exporters Payment :** The Importer has to make payment of freight under shipping contract.
(6) **Follow up :** The importer needs to take follow up in respect of import of goods. If there are any discrepancies importer should inform to the exporter.

3. Export trade refers to sale of goods and services to foreign country.

(A) Export Procedure

(1) **Registration :** The exporter has to get himself registered with various authorities as follows :
(i) Directorate General of Foreign Trade to obtain Import – Export Certificate number.
(ii) Income Tax authority to obtain Permanent Account Number.
(iii) Other Authority like EPC(Export Promotion Council) and GST authority.

(2) **Appointment of agent :**
After registration the exporter appoints agents or sales representative abroad to book orders. The exporter may also open sales office in foreign country.

(B) Pre – shipment Stage

(1) **Receipt of Order :** As soon as the order is received the exporter must verify and confirm the order. The exporter checks on the 'Restriction on Import' in Importer's country.
(2) **Letter of Credit :** The exporter requests importer to issue a letter of credit in his favour. The receipt of 'letter of credit' from importer's bank will clear the foreign exchange and other restrictions.
(3) **Preshipment :** The exporter obtain pre shipment finance from his banker to meet working capital requirement.
(4) **Production of Goods :** The exporter has to produce goods as per buyer's need. If the exporter is not a manufacturer then he will get the ordered goods from the locl supplier.

(5) **Packaging :** The goods must be properly packed because packing plays three important roles.
   (i) Protection of goods in transit
   (ii) Preservation of quality of goods
   (iii) Promotion of goods

(6) **ECGC Cover (Export Credit and Guarantee Corporation) :** The exporter may obtain cover from ECGC. Such cover protects exporter against credit risk. E.g. if the importer fails to make the payment of bill, the exporter can be covered from ECGC to the extent of 90% of the loss.

(7) **GST formalities (Goods and Services Tax) :** The exporter needs to complete GST formalities regarding export trade.

(8) **Marine Insurance :** The exporter has to obtain marine insurance under CIF (cost, insurance and freight) contract. He has to pay necessary insurance premium and obtain insurance policy.

(9) **C & F agents (Clearing and Forwarding) :** In export trade C & F agents are known as custom house agents. These agents are responsible for forwarding the goods.

(C) Shipment Stage :

(1) **Processing of Document :** Exporter prepares the shipping bill and gets all the documents processed at customs house.

(2) **Examination of Goods :** The C & F agent obtain carting order from the PTA (Port Trust Authority) to cart the goods inside the docks.

(3) **Loading of Goods :** After examining the goods CE (Customs Examiner) issues 'Let Export' order. The C & F agent then obtains 'Let Ship Order' from Custom Prevention Officer (CPO). The goods are then loaded on ship for which a Mate's receipt' is obtained. The C & F agents approaches shipping companies and obtains a Bill of Lading.

(D) Post Shipment Stage

(1) **Shipment Advice :** The exporter sends shipment advice to the importer informing him about dispatch of goods. he also sends copy of packaging list, commercial invoice and non – negotiable copy of loading along with advice letter.

(2) **Presentation of Documents :** The exporter submits all necessary documents to the bank for negotiation and realization of export proceeds.

(3) **Realization of Export Incentive :** The exporter makes an arrangement to obtain export incentive from the concerned authorities. The incentive includes duty drawbacks, refund of GST, if paid etc.

(4) **Follow – Up :** Exporter should always have follow up after export to find buyers reaction towards the goods.