



**MODEL ANSWER**

**SUMMER- 17 EXAMINATION**

**Subject Title: Drug store & Business management**

Subject Code:

**0815**

**Important Instructions to examiners:**

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



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Q. No .	Sub Q. N.	Answer	Marking Scheme
1		<p><b>Attempt any EIGHT of the following:</b></p> <p><b>Define the terms: (i)Commerce ( 1M ) (ii) Business ( 1M)</b></p> <p>(a) (i)<b>Commerce</b> : It is that aspect of business activity which is concerned with distribution of goods and services produced by the industry.</p> <p>(ii) <b>Business</b>: includes all economic activities which involve production and distribution of goods and services with the main purpose of earning profit.</p> <p>(b) <b>Enlist various forms of Business Organisations.(0.5 M each)</b></p> <ul style="list-style-type: none"><li>• <b>Sole proprietorship</b></li><li>• <b>partnership</b></li><li>• <b>The joint stock company</b></li><li>• <b>Co-operative society</b></li><li>• <b>Joint Hindu family business</b></li></ul> <p>(c) <b>Define accounting.(1 M) Give two objectives of Accounting. (1 M)</b></p> <p>Accounting is the art of recording, classifying and summerising the business transaction, which help in preparing summarised record and finding out profits and losses and preparing balance sheet.</p> <p style="text-align: center;"><b>OR</b></p> <p>It is define as process of the identifying, measuring, recording and communicating economic events of an organization to the interested users of the information.</p> <p><b>Objectives of accounting:</b></p> <ul style="list-style-type: none"><li>(i) To provide knowledge of all financial transactions.</li><li>(ii) It provides balance of creditors, debtors and expenses in different heads.</li><li>(iii) It provides information regarding total purchases, total sales and closing stock.</li><li>(iv) It provides information to prepare profit and loss account and balance sheet.</li><li>(v) It provides total assets and liabilities of a concern.</li></ul> <p>(d) <b>Explain different types of accounting accounts with example.</b> <b>( 2 M for any two accounting accounts with example)</b></p> <p>There are three types of accounts</p> <p>(i)Personal account</p>	8×2=16



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(ii) Real account

(iii) Nominal account

**Personal account** deals with an individual person, firm, company and institution. E.g. an account of Mr. Ram Gopal ,M/S Shreya medical store, Glaxo (India) Ltd. And M.D. University

**Real account** The accounts are maintained to deal with transaction related to building, cash, furniture, land, machinery, stock etc.

**Nominal account** The accounts are maintained to deal with discounts, insurance, rent, wages, salaries, cost of stationary, interest, commission, amount spent on advertisement, profit or income of business.

(e) **Enlist various types of partners in partnership firm of business.**

- Active or working partner
- Inactive or sleeping partner
- Nominal partners
- Secret partners
- Partners in profit only
- Minor partner
- Partners by estoppels
- Partner by holding out

(f) **Give any four salient features of co-operative society form of business.(0.5 M for each )**

1. It's a voluntary organization made by association of persons & not of capital. A member can withdraw after giving notice.
2. The members elect the managing committee to perform the duties decided by the members.
3. Members purchase the shares & thus contribute to the capital of society. Resources can be increased by loans from banks.
4. Shares cannot be transferred, if the members wants to he can return them.
5. The distribution of profit is not related to the amount of capital contributed but to the no. of business transaction brought about by the member.
6. Society does not allow any credit facility.



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7. Registration is required under co-operative Societies act 1912.

8. Share capital is treated as loan capital on which moderate interest rate is allowed. Out of the net surplus at the year end, a portion is paid as bonus to the employees, a portion for benefit of members & rest is distributed in proportion to their individual purchases from the society.

(g) **State channels of distribution for pharmacy. (2M)**

Distribution Channels are grouped as

- Direct selling
- Indirect selling

**Direct selling-** Mfger sells his goods directly to the customer.

**Indirect selling** one or two middlemen are involved in bet. mfger & customer.

Mfger → Retailer → customer

Mfger → wholesaler → Retailer → customer

Mfger → distributor → wholesaler → Retailer → customer

(h) **Explain the objectives of inventory control in short. ( 2 M)**

**Objectives of inventory control**

**(1) maximum customer service**

High level of inventory ensures good customer service & production schedule are kept flexible to meet the changing demands.

**(2) minimum inventory investment**

The inventory blocks the capital, they generate storage cost, or become obsolete on storage.

**(3) low cost plant operation.**

The overall plant costs are kept low by stable production which is possible by having sufficient inventories.

(i) **State what do you mean by cash book and enlist various types of cash book. ( 1M for meaning, 1M for types)**

Cash book is used to keep a record of all transactions related to cash receipt and cash payment.

Cash book is also a book of original entries because the transactions are recorded from the

source document for the first time. When a cash book is maintained, transaction of cash is not



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recorded in the journal.

Types of cash book.

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

(j) **Define bank (1M) and enlist various kinds of banks.( 1 M)**

A bank is a comprehensive term for a no. of institution carrying on certain kinds of financial business dealing in money. **OR**

Bank is an institution where the transactions of money take place.

**Types of banks**

- 1) Commercial bank
- 2) Saving banks
- 3) Land development banks
- 4) Cooperative banks
- 5) Industrial banks
- 6) Exchange banks
- 7) Mixed banks

(k) **State objectives of sales promotion. (2 M for any four points)**

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 salesmen & the dealers.
7. To induce customers to purchase more items.

(l)

**Define the terms:**

**( i) Safety stock ( 1 M ) (ii) Lead time ( 1 M )**

**( i) Safety stock :** also known as minimum stock or as buffer stock .The item is not allowed to fall below this level. This prevents out of stock situation of any material. This level is fixed



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after considering average rate of consumption & lead time. **OR**

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

(ii) **Lead time** is the total time consumed between the recognition of need of an item till the time it is received for use.

**Attempt any FOUR of the following:**

**Define scrap( 1M) Explain various types of scrap( 1M) and how the scrap can be controlled.( 1M)**

Scrap is the residue obtained from manufacturing processes. It is recovered without further processing. e.g. powder & fine granules.

The scrap is of following types-

**Legitimate scrap** This can be predetermined & anticipated in advance. E.g. granules during manufacturing of the tablets.

**Administrative scrap** This results when the material becomes obsolete due to change in design.

**Defective scrap** It results from sub std. raw material or poor workmanship.

**Control of scrap**

- By providing proper attention during the designing stage.
- By selecting the right material & equipment during production.
- By selecting right type of personnel with proper training & experience.

**Give detail classification of retailers (1.5 M). Explain itinerant retailers. (1.5M)**

2 types

- Itinerant  
Hawkers/pedlars-  
Market traders –  
Street traders –
- Fixed shop retailers  
Small scale retail shop

4×3=12



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Street stalls –

Second hand goods shops-

General stores-

Single line stores-

Specialty stores-

large scale retail shop.

Departmental stores

multiple stores or chain stores

consumer co-operative society

mail order business

**Itinerant retailers** –

They move from place to place for selling. The investment required is small. They sell low priced items.

Market traders – They sell goods at weekly, fortnightly or monthly basis. or at annual sale.

Hawkers/peddlers-They move from door to door & sell vegetables, fruits etc. in residential areas.

Street traders –They sell the goods at street corners, railway station etc.

Fixed shop retailers- They have permanent establishment.

They are of two types-

small scale retail shop, large scale retail shop.

(c)

**Define market research.(1M) Enlist methods of market research(1M)and give any two advantages of market research(1M).**

Market research is defined as systemic, objective & exhaustive research of the facts relevant to any problem in the field of marketing.

**Methods of market research-**

The following survey methods are used to collect the information-

- personal interview
- method telephonic interview method,
- postal survey method
- panel method.



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**Adv. Of market research-**

1. it gives response about the product,
2. helps to introduce new product,
3. helps to find other similar products,
4. gives idea about future trend,
5. helps in finalizing plans to boost the sale,
6. helps in discovery of potential market,
7. it reveals defects and makes corrective action plan possible ,
8. it helps to discover reasons for customer resistance,
9. it indicates whether the product is in demand throughout the year,
10. it helps in adjusting price structure,
11. it gives indication of government policies for particular business.

(d)

**State the difference between Joint stock company and partnership firm. (3M for any six points)**

<b>Company</b>	<b>Partnership Firm</b>
1.The company is formed by registration under Company Act 1956	The partnership firm is formed by agreement among partners.
2.The registration of the company is compulsory.	The registration of the firm is voluntary.
3.The liability of shareholders are limited	The liability of the partners are unlimited
4.The public limited company can be formed by a minimum of seven persons (private company minimum of 2 members maximum of 50 members.)	The firm is formed with minimum of 2 & maximum of 20 members ( 10 members for a banking business )
5.The shares are transferable.	The shares are not transferable.



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6.The resources of it are unlimited	The resources of the firm are limited
7.The company is managed by board of directors	The firm is managed by partners.
8.The audit of account is compulsory.	The audit of the account is not compulsory.
9.There are number of restrictions imposed by the government on the companies as they are governed by the Company act.	There are limited control & regulation by the government on the firms.

(e) **Explain various branches of Accounting. (1M for each )**

Branches of Accounting

- Financial accounting
- Cost accounting
- Management accounting

**Financial accounting:** It is mainly concerned with recordkeeping directed towards the preparation of Profit and Loss Account and Balance Sheet. The main purpose of financial accounting is

- To prepare the necessary accounts and balance sheet
- To record the transactions which concern or effect the business.
- To apprise the owners of the business about the financial state of the business.

**Cost accounting :** It is a systematic procedure for determining the unit cost of output produced or services rendered. The main function of cost accounting is to find out the cost of product and to help the management in controlling its cost.

**Management accounting:** It is concerned with the supply of information which is useful to the management in making decisions for smooth and efficient running of its business. It is also important to enable the business to earn maximum profit by effective management of finance

(f) **Mention the salient features of Hire purchase trading (1M for four points)with its advantages (1M for any two)and disadvantages. (1M for any two)**

**Salient features of hire purchase trading house:**

1. Buyer gets credit from the seller against the security of lien on the goods purchased by him.



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2. A Part payment is made at the time of purchase and rest in installments.
3. The buyer becomes the owner of the goods only after the payment of final installment of the total price.
4. The seller is free to carry back the goods if the purchaser does not pay the installment. The instalments already paid by the buyer are forfeited and these are treated as hire charges for the goods.
5. These installments always include interest as the seller has to wait for sometime till the full price is received.

**Advantages**

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

**Disadvantages:**

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

**Attempt any Four of the following.**

(a) **Explain types of financial needs of business.( 2M for types 1M for sources)**

**Types of Finance**

- 1.Fixed capital : The fixed capital of business is invested in permanent assets such as land,building,plant ,machinery,furniture,fixtures etc.
- 2.Working capital: The working capital is required by a business for the purchase of raw materials and for meeting day to day expenses such as wages, salaries, rents, taxes, interest,

3

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etc. It is of two types

a) Permanent or fixed working capital It is important for business to maintain certain minimum level of stock of raw materials and finished goods and to pay regular expenses like wages salaries etc.

b) Variable working capital: The amount of variable working capital requirement depends on the particular purpose for which it is needed for the business.

**i) Long term finance:- It remains invested in the business for the long period i.e. ten years or more. It is raised by ,**

- (a) Shares
- (b) Debentures
- (c) Ploughing back of profit
- (d) Financial institution

**ii) Medium term finance :- It remains invested in the business for the period between 3 to 10 years. It is raised by ,**

- (a) Shares
- (b) Debentures
- (c) Bank loans
- (d) Financial institution
- (e) public deposit
- (f) Mortgages

**iii) Short term finance:- It is raised for the period of less than two years. It is raised by ,**

- (a) Trade credit
- (b) Bank credit.
- (c) Installment credit

(b) (d) customers advances

**State (1M) and explain (2M) different methods of perpetual inventory control.**

This is a method of recording the store balance after every receipt and issue to facilitate regular checking and to prevent closing down for stock-taking.

The perpetual inventory systems comprises-



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1. Bin Card

2. Stores ledger

3. Continuous stock-taking

**Bin Card-** This is a document maintained by the store-keeper in his store to keep record of all items of materials and goods in his store. So bin card serves the purpose of providing ready references. It shows quantities of each material received, issued and in stock.

**Store ledger-** It is kept in the cost accounting department. The stores ledger is generally maintained in the form of loose leaf cards because they can be easily removed and inserted.

**Continuous stock taking :** Under this system only a limited number of items are verified on a day. The selected number of items are counted daily or at frequent intervals and compared with the bin card and stores ledger by the store keeper. The bin card and store ledger record the balances and their correctness can be verified by means of physical verification. In case any difference between recorded and actual balances, it has to be pointed out to the management.

c) **Define Codification of drugs. (1Mark) State (0.5mark) and explain (1.5 M for any three methods) various methods of codification ?**

**Definition :** It is the process of assigning of code symbol or a number to a particular material for easy identification

Following are the methods of codification

1) **Alphabetical method**

2) **Mnemonic method**

3) **Numerical method**

4) **Combination system**

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

2) **Mnemonic method** In this method code is given to items .e.g. AT represents aspirin tablets etc. The main disadvantage is the materials cannot be recognized without referring to code index.

3) **Numerical method** This method is known as sequence system. Separate no. are given to different classes of items. The new item is given the next higher no. in the sequence. This system involves use of , decimal system & block system



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**a)Decimal system** In this system, the no. are assigned in such a manner that each digit represents sub group of previous digit. E.g.15.1represents paracetamol tablet where15 is the analgesic group.

The main advantage is this system has capacity to expand to accommodate new items, The main disadv. is it is cumbersome to use.

**b) Block system** In this method the set of no. are reserved for specified classification. e.g. 101-300 allotted to tab

**4) Combination system** In this the mnemonic& numerical methods are combined together. e.g. MT 100 is given to

Mefal 250mg. tablets & MT 101 is given to Mefal 500mg

d) **State what do you mean by Budgetary control.(1 M ) Give its advantages. (2 M for any four points)**

**Budgetary control:** It involves the constant checking and evaluation of actual results achieved compared with budget goals, which enables the management to take corrective action where indicated.

**The advantages of a budgetary control**

1.Budgetary control combines the idea of all level of management in the preparation of the budget..

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.There is a planned approach to expenditure and financing of the business. This eliminates uncertainty and helps to achieve the desired results.

5. Budgeting coordinates the activities of the various departments and their functions by laying down limits and targets for them.

6.Responsibilities for adhering to a budget may be fixed on particular individuals.

7.Any deviations from budgets point out weak spots and inefficiencies and thus remedial action can be taken.

8. It distributes production programme according to plant capacities and makes the most effective utilisation of men, materials and machines.



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9. Budget provides a yardstick by which actual results achieved can be measured vis-a-vis set targets.
10. The forecast of sales enables the management to work out the economic balance between plant and machinery, storage, ware-house and inventories.
11. The budget serves as a stimuli to meet pre-determined goals for both incomes and expenses. 12. The purchase of stores is based upon pre-determined requirements for raw materials and this helps to prevent stock shortages as well as excessive purchases.
13. The efficient operation of the entire unit depends upon all employees working towards a common goal which is ensured by the budget.

(e) **Explain what do you mean by Slow moving(1M) ,Dormant(1M) and Obsolete items(1M)**

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

**ii) Dormant materials :** Dormant materials are those items which are moving temporarily because of seasonal production.

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

(f) **Differentiate between departmental stores and multiple store.(3 M for six points)**

<b>Departmental store</b>	<b>Multiple Shop</b>
1. Wide variety of products are available	Particular type of product are available
2. No uniform pricing system	Uniform pricing in all the branches
3. Control over the activity is easier.	Control is difficult
4. No uniformity in decoration	uniformity in decoration
5. They provide number of services & amenities	No other services to the customer
6. Sell of goods in cash & credit	Sell is only on cash basis
7. Stores mainly for rich people	For general public
8. Located in the center of the city.	Located in various localities of city.



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4.

**Attempt any Four of the following.**

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(a)

**Explain various activities which revolves around trade.(0.5 M for each activity)**

• **Banking:** Exchange of goods with money is solved by services of banks and financial institutions

**Transport:** Transportation overcomes hindrance of Place. It helps trade by moving goods from the place of its production to locations where these are sold for consumption.

• **Insurance:** Despite efficient transportation and packaging there may be loss of goods. This may be overcome by providing insurance cover of the goods during transportation and storage. Various types of insurances are fire, marine and general.

• **Warehousing** Goods are prepared before demand, so proper storage is required. Warehousing facilities solve this problem

• **Packaging** The goods get spoiled or damaged during transportation. This hindrance is overcome by proper and safe packaging of goods.

• **Advertising and publicity** Advertising and publicity agencies overcome Hindrance of Knowledge. Advertising and publicity can be undertaken through radio, T.V, newspapers etc. the main object of advertising and publicity is to create demand of goods produced by the manufactures.

(b)

**Define sole proprietorship,(1M) mention its features(2M for any four features)**

**Definition:** Sole proprietorship is known as one man business in which one person is solely responsible for providing capital, for bearing the risk of the enterprise and also for day to day management of the business.

**Salient features of sole proprietorship firm of business**

- Single Ownership-The ownership lies with one person only.
- Unification of Ownership and Management- Sole proprietor has full authority over the affair of business.
- The liability of sole proprietor is Unlimited.
- Flexibility-sole proprietor is free to change the pattern of management at any time.
- No Sharing of Profits and losses- The profit earned or losses suffered in business are also borne by him.
- Minimum Govt. Regulations-No legal formalities are required to start a business.



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- Complete Businesses Secrecy-It is not mandatory to published financial accounts of business.
- No Legal Status- The proprietor and the business is one and the same.
- Quick Decision Making-He can make his own decision as per the market requirement.
- Close Contact with customer-sole proprietor is able to established a personal contact with his customers.

(c) **Define advertisement. (1M) State any four advantages(1M) and disadvantages of advertisement of product. (1M)**

**Advertising:-** It is an art, used to familiarize public with the product by informing of its description, uses it's superiority over other brands, sources of it's availability.

**Advantages :**

- Advertisement helps in introduction of new product.
- It increases buyers to purchase products
- It keeps the constant demand of products
- It helps in increasing the growth of unit
- It helps in providing information regarding the qualities of the product
- It gives direct and indirect employment
- It provides comparison to the customers regarding similar products

**Disadvantages:**

- Expenses on advertisement increase the cost of product.
- It sometimes creates artificial demand.
- A huge amount is invested before sale of the product.
- Advertisement leads to monopoly of a product.
- Sometime innocent customers are cheated by false advertisement.
- It stimulates the customers to buy things which they cannot afford to buy.

(d) **Explain various points which has to be taken into consideration for evaluation of pharmacist**

**Work of pharmacist is evaluated by following parameters (3 marks for any six points)**

- 1) Appearance
- 2) Personality



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3) Alertness and promptness in dealing with customers

4) Courtesy and attitude toward customers

5) Personal acquaintance with customers

6) Cooperation with colleagues

7) Product knowledge

8) Selling ability

9) Suggestive selling

10) Self improvement, etc.

The grades good, average & poor may be given on each count mention in the check list & consolidated report is prepared

(e) **State and explain the legal requirement for starting a retail drug store(1M for each requirement)**

**Minimum qualification**

1)D.Pharm from a recognized institute.

2)Registered pharmacist with the state pharmacy council.

**Minimum space**

1) The store should fulfill all the requirement of the D & C rules 1945.

2) To start the retail store & wholesale store minimum of 10 sq. m. (107 sq. ft) of area is required.

3) To start the combined store 15sq.m. of the area is reqd.

**Store arrangements:**

1) There should be sufficient racks to store drugs & pharmaceuticals.

(f) 2) Refrigerator is mandatory to store antibiotics vitamins, vaccines sera etc.

**Explain the process of purchase followed in business organisations.(3 M)**

**1. Purchase Requisition:**

When the existing stocks are depleted and come to a minimum, the stores incharge fills in the requisition form and sends it to the purchase department. The purchase requisition indicates the type, quantity and quality of items to be purchased.

**2. Selection of the Suppliers:**

A list of suppliers is collected from market survey journals newspapers and trade



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guide's. The suppliers are selected based on their credibility and who can provide timely service and in required quantity. Their past experience and their nature of service etc. is assessed.

**3. Inviting Quotations or Tenders:**

Quotations are invited from suppliers with the list of requirements. If the Quantum of goods is large, tenders can be invited by giving list of requirements in leading newspapers. A last date is given for the tenders to reach the purchase department.

**4. Placing the Order:**

Based on the quotations received the lowest quoted price order is selected. After selection of the supplier, the order is placed in the standard purchase order form called 'Supply Order'. The supply order contains the detailed order contains the specifications of the items, quantity required, the price and other terms and conditions of the supply. It is signed by the authorised person. The supply order is a legal document. generally 5-6 copies of supply orders are prepared. Two copies are sent to the suppliers who is expected to sign one copy as an acknowledgement and return to the supply department. One copy is to be sent to the stores incharge. One copy goes to Accounts department and another copy remains with the purchase manager.

**5. Receiving and Checking the Material:**

The material sent by the supplier is received by the store keeper Each and every item is physically checked, Quantity verified anti specifications are cross checked with the invoice or bill sent by the supplier. If the goods required doesn't confirm with any specifications or any damage is noticed, the matter is recorded as the challan form or invoice and the supplier must be informed immediately so as to rectify mistakes by the supplier.

**6. Checking the Invoice or Bill:**

If the goods are received in satisfactory condition the invoice checked before it is approved for payment. The rates of various items charged in the bill and the other terms and conditions are thoroughly - checked and compared with the supply order.

**7. Recording of the Bills in Books:**

The bills are sent to Accounts Section where the bills are entered into Account books. Any



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errors in bills are immediately informed to higher authorities for necessary action.

**8. Releasing the Payment to the Supplier:**

According to terms and conditions of the supply order, the payment done by Accounts Section to the supplier

**Attempt FOUR of the following:**

**(a) Explain the functions of management.(0.5M for each function)**

**1 Planning** Planning aims at achieving the desired results. It involves forecasting of future problems & events & selecting an appropriate course of action to handle the anticipated problems & events. E.g selection of proper site, listing of items to be manufactured obtaining license arranging for finance & sale of goods.

**2 Organizing** It is organizing the company by grouping the similar activities together to achieve activity planned objectives, define responsibilities of employees .In a pharma industry various activities like purchasing production QC stores, distribution marketing finance. Etc

**3 Staffing** A right person should be selected for right job. Honest & hard workers should be given the appreciation for his work

**4 Directing** Managers should guide the subordinates by teaching proper method of work. They should motivate the subordinates to work & cooperate.

**5 Controlling** There should be adequate control over the staff so as to achieve the planned goals. Strict control on the activities of the subordinates may sometime leads to loss of all initiative and enthusiasm on the part of the workers.

**6 Coordination-** There should be proper coordination among the various department. It means that all the working units as well as the employees/workers of the organization work in complete harmony to fulfill the goals of the organization.

5

4×3=12



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(b) **Explain in detail ABC technique of inventory control. (3M)**

<b>A items</b>	<b>B items</b>	<b>C items</b>
Covers 10% of inventory	Covers 20% of inventory	Covers 70% of inventory
Consumes about 70% of total budget	Consumes about 20% of total budget	Consumes about 10% of total budget
Requires very strict control	Requires moderate control	Requires loose control
Low or no safety stock required	Low safety stock required	High safety sock required .
Needs maxi. Follow up.	Needs periodic follow up.	Needs close follow up.
Must be handled by senior officer	Can be handled by middle management	Can be handled by any official of management

(c) **Explain the following terms(1M each)**

(i) **Management**

(ii) **Economics**

(iii) **Recruitment**

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

ii) **Economics**: It is a social science concerned with proper use of allocation of resources for achievement of various human needs. Economics is the social science ,concern with the employment of a scarce resources of society ,having alternative uses to produce goods & services.

iii) **Recruitment**: Is a process of exploring the source of supply of the required



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personnel & stimulating the prospective employees to apply for jobs in the organisation. Its purpose is to create a pool of candidates from which suitable person may be selected for job.

(d) **Explain any four techniques of sales promotion.(3M )**

**techniques of sales promotion**

1. free samples,
2. trading stamp
3. coupons,
4. premium or bonus offers prize contest
5. fair & exhibitions

**Free samples**-The M.R. gives free samples to the doctor. This method is useful for new products.It is expensive method.

**trading stamps**-The stamps are issued in proportion to the purchase.The customers collect the stamps & exchange it for free product.

**Coupons** Coupons entitles the holder to save certain amt on purchase of specific product. The coupons may be sent via post, magazine, newspaper or retailers. The retailers give discount to the customers. The firm reimburses the retailers for the same.

**Premium or bonus offer** In this the firm gives certain quantity of the product free of cost on purchase of a specified quantity of the product.

They may be of three types

1. with pack premium,
2. a reusable containers,
3. free in the mail premium.

**prize contest** The contests are held where the best entry gets the first prize.

**fairs & exhibitions**- They are organized to popularize the products.

(e) **Enlist (1M)and explain how long term finance be raised. (2M)**

Long term finance be raised by

- shares
- debentures
- ploughing back of profit



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- financial institutions

**shares** In large scale business the ownership shares are issued to the public.

The capital required is divided into large no. of equal parts & each part is considered as a share.

**Debentures** A debenture is a document or certificate issued by the co. acknowledging loan & also gives undertaking to repay the borrowed money with interest to the debenture holder on a prescribed date.

**ploughing back of profit** The profit earned by the business is partially distributed to the ordinary shareholders, the remaining is reinvested in the business.

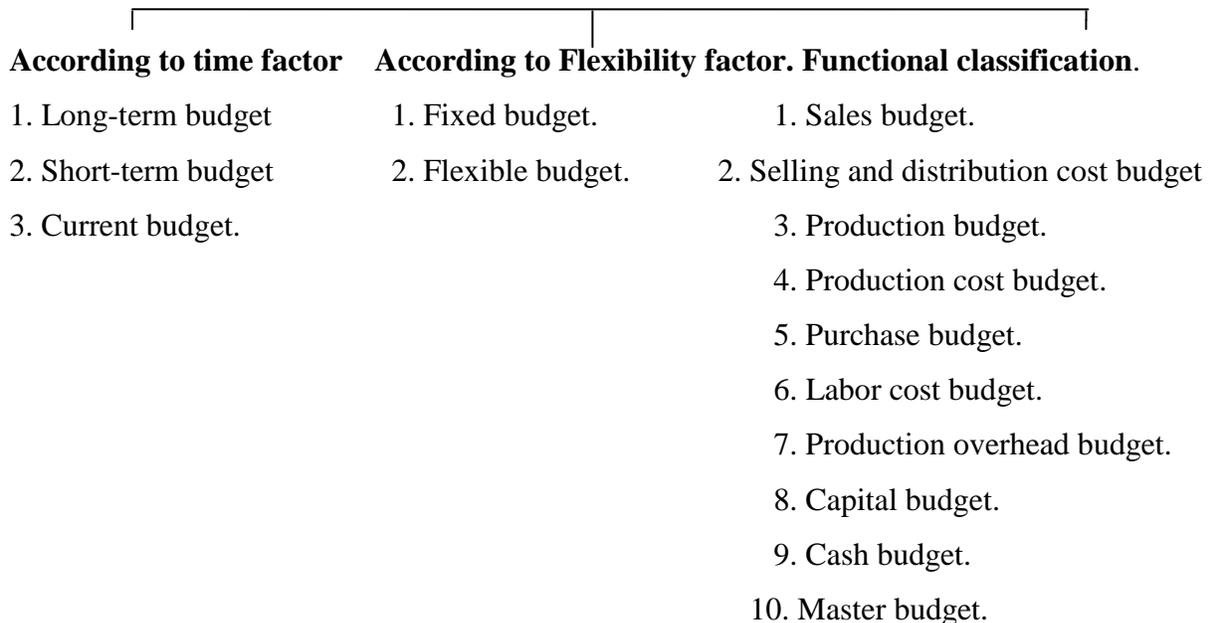
**Financial institutions** The state & central govt. have set up institutions to provide long term & medium term finance to industries. They are IFCI, IDBI, ICICI (industrial credit & investment corporation of India), IRBI, (industrial reconstruction bank of India,), NSIC- national small industrial corporation, SIDC(state industrial development corporation, UTI.

(f)

**Explain the term Budget.(1M) Give classification of budget.(2M)**

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

**Classification of Budget**





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**Attempt any FOUR of the following**

4×4=16

(a)

**Explain the terms Accounting Concept(1M) and Convention.(1M) Enlist various concepts(1M) and Convention(1M)**

**Accounting Concept :**These are the basic assumptions on the basis of which financial statements are prepared. These assumptions provide good support to the science of accounting.

**Accounting Conventions:** is used to denote established customs or traditional practices as a guide to the preparation of accounting statements.

**Accounting concepts:**

- Business entity concept:
- Money measurement:
- Cost concept:
- Going concern
- Dual aspect:
- Realization concept:
- Accrual concept:.
- Accounting period concept:
- Revenue match concept:

**Accounting Convention:**

- Consistency
- Disclosure
- Conservatism
- Materiality

b)

**Explain the term ledger(1M), give its importance,(2M) draw format of ledger. (1M)**

Ledger is a book which contains in a summarized and classified form ,a permanent record of all transactions of a business. Ledger is divided into separate sections called accounts.

**Importance of Ledger:**

- Ledger provides the information in summarized and classified form. It helps in obtaining the details of various Accounts
- It gives a complete picture of a particular a/c at a glance.
- It provides information for the preparation of a Trial balance and from the trial balance,



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the financial statement i.e. Profit and Loss A/c and Balance-sheet can be prepared at the end of the financial year.

- Ledger is useful to a trader in understanding the account-wise information of the business transactions.
- Financial statements helps in making the interpretation of various balances extracted from the ledger.

**Format of Ledger :**

Dr.

Cr.

Date Year Month	Particula rs	J.F.	Amount (Rs)	Date	Particula rs	J.F.	Amount (Rs)

(c) **Differentiate between Balance Sheet and Profit and Loss Account.(4M)**

<b>Balance Sheet</b>	<b>Profit and Loss Account</b>
1. Here Personal accounts and real accounts are shown.	In this account the nominal accounts are shown
2.It provides information regarding financial position of the business	It provides information regarding net profit or net loss.
3.It is only a statement of assets and liabilities	It is ledger account which provides information about debits and credits
4.It is prepared on loose sheet	It is prepared in bound book
5.It is a statement so the words “To” and “By” are not used.	It is an account so the words “To” and “By” are used.
6.The totals of both the side of the balance sheet are always equal	The balance of this account indicates profit or loss of the business.
7.It is prepared on the last date of the financial year under review.	It is prepared at the end of the financial of the business.
8.It shows the financial position of the business enterprise on a fixed date.	The account shows profit or loss made by the business as on a fixed date.



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(d) **State how will you select the ideal site of drug store in urban(3M) as well as rural area.(1 M)**

**Factors for the selection of the site of a retail sale drug store:**

**Urban or big cities** selecting the site for the drug store

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

**Thickly populated residential areas-** it is preferred.

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

**Hospitals/nursing homes** -ideal location.

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

**Parking-**there should be enough parking space. the areas where parking is not allowed should be avoided.

**Drug store** as far as possible there should be no competition.

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

The drug store can be opened in the rural or small town or in the big cities.

**Rural or small town** if financial resources are limited.

the ideal site is main market, or near hospital, primary health centre or physician.

it may be opened near bus stop, railway station or petrol pump.

the premises can be either rented or leased or purchased.

(e) **Define Financial analysis (1 mark) and explain Profitability Ratio.(3 mark)**

**Financial analysis:** It is the process of evaluating the relationship between component parts of financial statements to obtain better understanding of the financial position and performance of a firm.

**Profitability Ratio:** These are designed to highlight the end result of business activities. So these ratios are useful to measure the operating efficiency of the company. The **Various ratios covered under these are:-**

- Gross Profit ratio:
- Net profit ratio.



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- Return on Investment.

**Gross profit ratio:** It means sales minus cost of the goods sold.

Gross profit ratio =  $\frac{\text{Gross profit}}{\text{Net sales}} \times 100$ . A high Gross profit is a sign of good management and indicates that the cost of sales is relatively low.

A low Gross profit ratio is due to the increase in the cost of goods sold or decline in selling price due to the inferior quality of the product or lack of demand etc.

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

**Operating profit ratio:** =  $\frac{\text{Operating profit}}{\text{Net Sales}} \times 100$

**Return of capital employed ratio** =  $\frac{\text{Net profit}}{\text{Capital employed}} \times 100$ .

**Return on Investment (ROI)** = the overall profitability of an enterprise can be measured by relating its net profit to its investment.

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

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

**Journalise the following transaction for the year 2016. (0.5 M for each transaction)**

(f)

Date	Particulars	LF	Debit amount Rs	Credit Amount Rs
01/01/2016	Cash A/c.....Dr. To capital A/c (Being cash invested)		50000 -	- 50000
05/01/2016	Furniture A/c.....Dr. To Mr. Naresh A/c (Being Purchased furniture on credit)		20000 -	- 20000
15/01/2016	Purchase A/c.....Dr. To Mr. Naik A/c (Being Purchased goods on credit)		10000 -	- 10000
16/01/2016	Drawing A/c.....Dr. To cash A/c (Being cash withdrawal for personal use)		5000 -	- 5000



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18/01/2016	Cash A/c.....Dr. To Gopal A/c (Being cash received)	3000 -	- 3000
20/01/2016	Landlord rent A/c.....Dr. To Bank A/c (Being cheques issue of landlord for rent paid by cheque)	1000 -	- 1000
25/01/2016	Mr.nitin A/c.....Dr. To sales A/c (Being Goods sold on credit)	6000 -	- 6000
29/01/2016	Salary A/c.....Dr. To Cash A/c. (Being Pays Salary to Staff)	10000 -	- 10000
Total		105000	105000



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