



MODEL ANSWER
SUMMER -19 EXAMINATION

Subject Title: Drug Store and 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 anyequivalent 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		Answer any <u>FIVE</u> of the following: (2marks for each)	10M
1	a)	Define Budget. Explain in short its objectives. (1 Mark for definition & 1 Mark for any two objectives) A budget is a written plan covering projected activities of a firm for a definite period of time. Objectives of Budget: (Any Two) 1) To provide a realistic estimate of income and expenses for a period. 2) To provide a coordinated plan of action to achieve the target. 3) To provide a comparison of actual results with those budgeted and to indicate courses of corrective actions. 4) To provide a ready basis for making forecasts during the budget period to guide management in making day to day decisions.	2M
1	b)	Write at least two advantages and two limitations of 'Financial Statements' (1 Mark for any two advantage & 1 Mark for any two limitations) Advantages of Financial statements: (Any Two) 1) Management can review the up to date progress made by the enterprise and then decide about necessary course of action to be taken in future. 2) The creditors can decide about extending, maintaining or restricting the flow of their credit to the business. 3) On the basis of financial statements, the shareholders are in a position to judge the future prospects of their investment and thus decide either to sell or continue with the ownership of their shares in the firm. 4) The employees union or group can find out the present financial condition of the firm from the financial statements and are thus able to decide whether the firm is in a position to pay higher wages, bonus etc. Limitations of financial statement: (Any Two) 1) Interim and not final reports: The profit & loss account & the financial position	2M



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		<p>revealed by the balance sheet cannot be exactly true since these statements are only interim reports. The exact financial position of the business can be known only when the business is either liquidated or sold.</p> <p>2) The balance sheet does not reveal the exact financial position of the business as it is affected by various factors like fixed assets, going concern concept & convention.</p> <p>3) The quality of statements depends on the competence & integrity of those who prepare it.</p> <p>4) It records & reveals only those facts which can be expressed in terms of money.</p>	
1	c)	<p>Define the term 'Account'. Explain its types. (½ Mark for definition & 1 ½ Marks for types of accounts)</p> <p>Account: A formal record of all transactions relating to changes in a particular item.</p> <p>Types of Account:</p> <p>1) Personal account: It deals with the individual person, firm, company & institutions. e.g. an account of Mr. Ram Gopal, M/S Deep Medical Hall, Glaxo (India) Ltd., M.D. University. The person or firm which supplies the goods/gives money to the business is a creditor and entries made on credit side of his account. Similarly a person or firm which receives the money or goods from business becomes a debtor and the transaction is made on debit side of his account.</p> <p>2) Real account: These accounts are maintained to deal with transactions related to building, cash, furniture, land, machinery, stock etc. When an item is purchased or recd., the transaction is recorded on debit side.</p> <p>3) Nominal account: These accounts are generally called fictitious accounts. These accounts are maintained to deal with discounts, insurance, rent, wages, salaries, cost of stationery items etc. A separate account is maintained for each type of expenditure. The entries of expenses or losses are made on debit side & of profits or gain on credit side.</p>	2M
1	d)	<p>Explain the importance of salesmanship in 'Pharmaceutical Industry' (2 Marks for any four importance)</p> <p>The success of a firm mainly depends on the performance of their sales force engaged in</p>	2M



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	<p>salesmanship. It helps producers to increase sales. It also helps consumers to get correct knowledge about the quality of goods and service. Salesmanship not only increases sales but also earns goodwill for the organisation.</p> <p style="text-align: center;">OR</p> <p>The most important functions performed by the salesmen/medical representative in Pharma Industry are as follows:</p> <ol style="list-style-type: none">1. It helps in locating the doctors who will write the prescription.2. It helps in creating demand for the new products.3. It provides feedback about the needs etc. it helps to remove the doubt of the doctors.4. It helps in demonstrating the product.5. The salesman acts as the consultant for new products.6. He convinces the doctor to support the products he is selling.	
1	<p>e) Explain how will you apply VED analysis for drug store.(2 Marks)</p> <p>This system is based on utility of items.</p> <p>In a drug store VED analysis is useful in controlling & maintaining the stock of various types of formulation of a particular group of drugs. The older the brand, the greater will be its requirement. The best way to calculate the requirements is to classify the different brands of drugs into following categories:</p> <p>The brands are classified into following categories-</p> <p>V= vital. E= essential D= desirable.</p> <p>Accordingly one has to maintain maximum stock of vital items, followed by essential items & then desirable items.</p> <p>e.g acetyl salicylic acid brands available are Disprin, Micropyrine and Anacin hence divide as follows V=vital, Disprin</p>	2M



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		E= essential, Micropyrine D=desirable, Anacin	
1	f)	<p>Define ‘Tender’. Explain ‘Open Tender’.(1 mark for definition & 1 Mark for explanation of open tender)</p> <p>Tender: It is a written offer or quotation to do some specified work or to provide required materials at a given price within a prescribed period and under specified condition.</p> <p>1. Open Tender: 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 leading newspapers.After receiving the tenders from various suppliers, a comparative statement is prepared. The order is placed to the firm with lowest quotation. This method is costly & time consuming.</p>	2M
1	g)	<p>Define and classify ‘Industry’.(½ Mark for definition & 1 ½ Mark for any three class)</p> <p>Definition It is the part of business activity which relates to production, processing, or fabrication of products.</p> <p>Classification of Industry</p> <p>I) Industries based on type of goods produced</p> <p>1) Extractive industries 2) Genetic Industries 3) Construction Industries</p> <p>4) Manufacturing industry: They are sub classified as,</p> <ul style="list-style-type: none">o Analytical industryo Synthetic Industryo Processing industryo Assembly line industry <p>II) Industries based on Size & amount of investment</p> <p>i) Light industries ii) Heavy industries</p>	2M



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	<p>III) Industries based on Capital employed</p> <p>i) Large Scale Industry ii) Small scale Industry</p> <p>IV) Official classification of industries: For the purpose of licensing, government made standard classification of industries as given under the first Schedule to the Industries Act, 1951.</p>	
2	<p>Answer any FOUR of following(3.5 marks for each)</p>	14M
2	<p>a) Define the term ‘firm’. Give advantages of partnership type of organisation.(½ Mark for definition & 3 Marks for any Six advantages)</p> <p>The persons who have entered into partnership are called partners, individually and collectively called as firm.</p> <p style="text-align: center;">OR</p> <p>The business organization which runs as a partnership is called a firm.</p> <p>Advantages of partnership type of organisation:(Any Six)</p> <ol style="list-style-type: none">1) The formation of a partnership firm is a simple procedure.2) The firm’s object, mode of operation and policies of the firm can be altered from time to time without any legal formalities.3) The partnership firm can raise a larger amount of finance than a sole trader.4) Complete business secrecy can be maintained. The profit and loss account and balance sheet of the firm need not be published.5) Firm has longer existence as it is not dependent on any one person.6) The rights of each partner are well protected in the partnership firm.7) Business can be expanded by extending the partnership. (up to 20)8) The losses incurred by the partnership firm are divided among the partners. Due to this, each partner’s loss will be less than in case of the sole trader.9) Profit incurred is distributed among all the partners in the decided ratio.10) The division of responsibility and work among the partners leads to specialisation among the partners and firm.	3.5 M

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		<p>11) Each partner of the firm has unlimited liability. It serves as an important security to creditors who lend money to the firm.</p> <p>12) Partners can take quick decision due to firm's size, as compared to that of Joint Stock Company.</p>	
2	b)	<p>What is Drug codification? Explain various methods of drug codification.(1 Mark for definition & 2 ½ Marks for methods for codification)</p> <p>Drug codification :It is the process of assigning of code symbol or a number to a particular material for easy identification</p> <p>Following are the methods of codification</p> <p>1) Alphabetical method</p> <p>This is also known as letter code system. E.g Code ' T' represents tablet and code 'C' represents capsules. Not suitable for large number of items.</p> <p>2) Mnemonic method</p> <p>In this method code is given to items .e.g. AT represents aspirin tablets etc.</p> <p>The main disadvantage is the materials cannot be recognized without the referring to code index.</p> <p>3) Numerical method</p> <p>This method is known as sequence system. Separate no. are given to different classes of items. The new item is given the next higher number in the sequence.</p> <p>a)Decimal system</p> <p>In this system the numbers are assigned in such a manner that each digit represents sub group of previous digit.</p> <p>E.g.15.1 represents paracetamol tablet where15 is the analgesic group.</p> <p>The main advantage is this system has capacity to expand to accommodate new items, The main disadvantage is it is</p>	3.5M



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		<p>cumbersome to use.</p> <p>b)Block system</p> <p>In this method the set of numbers are reserved for specified classification. e.g. 101-300 allotted to tab</p> <p>4) Combination system</p> <p>In this the mnemonic & numerical methods are combined together.</p> <p>E.g. MT 100 is given to Meftal 250mg. tablets & MT 101 is given to Meftal 500mg</p>	
2	c)	<p>Define market research. Explain various sources for the same.(1 Mark for definition & 2 ½ mark for any Five sources)</p> <p>Market research is defined as systematic, objective & exhaustive research of the facts relevant to any problem in the field of marketing.</p> <p style="text-align: center;">OR</p> <p>It is the systematic gathering, recording and analyzing the data about the problems associated with the sale of goods and services from manufacturer to consumer.</p> <p>Primary sources: The survey techniques are used to collect information from the primary sources. These are</p> <p>i) Salesmen</p> <p>If a firm employs salesman to conduct and promote the sale of its products they can be asked to provide an assessment of the consumer and dealers with respect to the firm's product. They will provide first-hand knowledge of the market conditions and distribution system without any additional expense. However the salesmen are not trained for market research and therefore their reports may not be unbiased and accurate.</p> <p>ii) Dealers:</p> <p>Dealers may be contacted to provide information regarding the percentage of the sales of the firm's products to the total sale of that kind of products of other firms over a certain period and feedback about the consumer's reaction to the product. But this source does not provide reliable information because the retailers do not have well</p>	3.5 M



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	<p>organised system of record keeping.</p> <p>iii) Consumers:</p> <p>The opinion and attitudes of the consumers is the right source for getting accurate information regarding the quality, price , packaging availability of the firm's product. It needs field survey which is called 'consumer research'.</p> <p>Secondary sources: There are certain agencies which gather information after doing the proper survey of the market and present the data in a printed form.</p> <ol style="list-style-type: none">1) Trade press: This includes trade journals, economic and financial periodicals, and annual reports published by some business houses and banking companies.2) Trade associations: Many trade associations conduct independent market research and collect useful data pertaining to different trades and markets.3) Published surveys: There are many independent research organisations which publish data contained in reports of the market survey for specific product from time to time.4) Government and International publications: The published periodical reports, journals and bulletins issued by Planning Commission and various Ministries generally contain a lot of useful information for the researcher.	
2	<p>d) Define Bank. Write its functions.(½ Mark for definition & 3 Marks for any Six functions)</p> <p>A bank is a comprehensive term for a number of institutions carrying on certain kinds of financial business dealing in money.</p> <p>OR</p> <p>Bank is an institution where the transactions of money take place.</p> <p>Functions of Bank.(Any Six functions)</p> <p>Services to depositor:</p> <p>a) They collect the cheque, demand draft, hundis, local and foreign bills on behalf of their depositor</p>	3.5 M



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b) They offer discounting facilities in respect of local and foreign bills of the depositor

c) They pay insurance premium subscription and taxes on behalf of the depositor

Services by way of loan:

a) **Overdraft:** The overdraft facility permits the customer to overdraw from his account however the bank fixes the limit beyond which the customer cannot overdraw and the customer is required to pay specific rate of interest on over drawn amount on daily basis. The overdraft facility is allowed only against some security.

b) **Cash credit:** Bank fixes a limit up to which a customer may borrow money from it against some security and interest is charged by the bank on the outstanding amount in cash credit account.

c) **Loans:** The bank gives loans to the customers against some security of mortgage.

d) **Discounting of bills:** The bank encashes the customer's bill before they become due for payment and for this service the bank charges a nominal discount

Miscellaneous services :

a)It buys and sells shares/bonds / debentures on behalf of its customers

b) Lockers are provided to the customers for safe keeping of jewellery and important documents

c) It makes regular payment of subscription, insurance premium, taxes etc. on behalf of its customers

d) It collects interest/dividend on securities and shares belonging to its customers

e) It accepts bills of exchange in respect of imported goods and also purchases bills of exchange

f) It helps people going abroad by arranging for foreign exchange



		g) It provides assistance and advises the customers with regard to investment.	
2	e)	<p>What is accounting convention? Explain various accounting conventions.(½ Mark for meaning of accounting convention & 3 Marks for any three conventions)</p> <p>Accounting Conventions: is used to denote established customs or traditional practices as a guide to the preparation of accounting statements.</p> <p>Various accounting convention</p> <p>1)Convention of disclosure: The convention of disclosure implies that all material information must be disclosed and the accounts are prepared honestly.</p> <p>2)Convention of materiality: The financial statements are expected to disclose all material items, the knowledge of which might influence the decision of the users of financial statements.</p> <p>3)Convention of consistency: It means the same accounting methods are followed from one accounting period to the other. The comparison of the result of one accounting period with those of another is possible only if convention of consistency is strictly followed.</p> <p>4)Convention of conservatism: Conservatism means a guideline which chooses from acceptable accounting alternatives the one for recording events or transactions which reports the least favourable immediate effect on assets, income and owners' equity. The convention of conservatism provides to play safe. It takes into consideration all prospective losses but leaves out all prospective profits.</p>	3.5M
2	f)	<p>Define ledger. Give its importance and format.(½ Mark for definition, 2 Marks for any two importance & 1 Mark for format)</p> <p>Ledger: Ledger is the book which contains, in a summarised and classified form, a permanent record of all transactions of a business.</p> <p style="text-align: center;">OR</p> <p>Ledger: is a book containing all the accounts to which entries are transferred from the books of original entry.</p> <p>Importance of Ledger:</p> <p>A ledger is very important and useful in maintaining the account of an organisation because:</p> <ol style="list-style-type: none">1) The management can know on a particular date the amount due from a certain customer or the amount the firm has to pay to a particular supplier.2) The various transactions pertaining to an account may be spread over in the journal in various pages, but all these transactions are recorded on one page in ledger.	3.5 M



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- 3) The accounts are opened in the ledger in some definite order so that these can be included in the same order while preparing P&L account and balance sheet.
- 4) The accounts can be easily located by going through the index.

Format of Ledger

‘Dr’

‘Cr’

Date.	Particulars	J.F	Amount Rs	Date	Particulars	J.F.	Amount Rs

3 Answer any FOUR of following (3.5 marks each)

14M

3 a) Define budgetary control. Explain in short classification of budget.(1/2 Mark for definition & 3 Marks for classification of budget)

3.5M

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

Classification of Budget

According to time factor	According to Flexibility factor	Functional classification.
1. Long-term budget	1. Fixed budget.	1. Sales budget.
2. Short-term budget	2. Flexible budget.	2. Selling and distribution cost budget
3. Current budget		3. Production budget.
		4. Production cost budget.
		5. Purchase budget.
		6. Labor cost budget.
		7. Production overhead budget.
		8. Capital budget.
		9. Cash budget.
		10. Master budget.



3	b)	<p>Write about any three methods for analysis of 'Financial statement' (3 ½ Marks)</p> <p>1 Comparative financial statement: These statements contain figures of two or more consecutive years, which give a comparative view of the financial performance of a firm. A comparative profit & loss account gives expenses & revenues of two consecutive years. Similarly, a comparative balance sheet contains the amounts of assets & liabilities at two different points of time.</p> <p>2 Common size financial statements: In these statements, figures are converted into percentages to some common base. For ex. In P& L account, the sales figure is assumed to be 100 and all figures are expressed as percentage of sales.</p> <p>3 Funds flow analysis: It reveals changes in the working capital position of an enterprise. It indicates the sources from which the working capital was obtained & the purpose for which it was used.</p> <p>4 Ratio analysis: It is the most popular method of financial analysis. The term ratio refers to the numerical relationship between two items. The various accounting ratios are: Liquidity ratios, solvency ratios, activity ratios, profitability ratios, Misc. ratios</p>	3.5M
3	c)	<p>Define 'Training'. What subject must be covered under training of pharmacist?(1 Mark for definition & 2 ½ Marks for any Five points)</p> <p>Training: Training is the scientific process of improving the knowledge and skill of the employees for doing a particular job</p> <p>The main purpose of the training is to mould the behavior of the new recruits so that they can do their job in a more efficient way.</p> <p>Training should cover the following subjects.</p> <ol style="list-style-type: none">1. Rules & policies of the enterprise2. Routine work of drug store such as, display of inventory, recording methods of sales, maintaining cash book, proper wrapping etc.3. The technical knowledge of selling of products.4. Dealing with customers who visit the drug store.	3.5M



		5. Highlights of new products should be known to pharmacist. 6. Handling of prescription	
3	d)	<p>Define and classify 'Trade'.(1 Mark for definition & 2 ½ Marks for classification)</p> <p>Trade: Trade means buying, selling and exchange of goods & services.</p> <p>Classification:</p> <p>1) Internal trade/Home trade: It consists of sale and exchange of goods within the boundaries of a country. It is further classified as follows</p> <ul style="list-style-type: none">• Wholesale trade: It involves sale of goods in comparatively large quantities to those traders who are in direct contact with retailers.• Retail trade: In this trade the retailers supply the requirements of consumers in small quantities as per their needs. <p>2) International trade/External trade: It means the exchange of goods and services between different countries.</p> <ul style="list-style-type: none">• Import trade – When a trader of one country purchases goods from the traders of other countries, it is called as import trade.• Export trade: When the trader of one country sells goods to the trader of other countries, this trade is called as export trade.• Entrepot trade: When trader purchases goods from one country and sells the same goods to another country, it is called as entrepot trade	3.5M
3	e)	<p>Explain different types of middlemen involved in the distribution of goods from the producer to consumers.(3 ½ Marks)</p> <p>Types of middlemen</p> <p>A) Functional middlemen</p> <p>They help in transfer of goods from the hands of producers to the customers without having an ownership rights. (they do not have title to goods)</p> <p>a) Brokers- Their only function is to bring buyer & seller together. If hired by seller then called as selling agent & if engaged by buyer called as buying agent. They get</p>	3.5M



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	<p>certain % of commission.</p> <p>b) Commission agent: They negotiate the sell of goods, take possession & make arrangement for transfer of the goods. So he has to arrange for warehousing, grading, packing, assembling & disposal.</p> <p>c) Auctioneers: They collect goods display & invite bids from buyers. Bid means the price which the buyer is willing to pay for the goods being auctioned. The buyer making the highest bid gets the goods.</p> <p>d) Del credere agent: They find the buyer & also guarantee the payment of price on their behalf. The agent has to pay the sum if the buyer fails to pay. Del credere agents charge higher than normal commission rates.</p> <p>B) Merchant middlemen</p> <p>Merchant middlemen purchase the goods to resale them for a margin of profit. They take possession & become owner of the products and transfer title of ownership to the buyer when the goods are sold. They are classified as follows:</p> <p>a) Wholesaler: Wholesalers are the merchants who act as intermediaries between the manufacturers and retailers. They buy goods in large quantity from producer & sell them to retailers. They are of three types - Manufacturer wholesaler ,Wholesaler proper & retailer wholesaler</p> <p>b) Retailers: They are the middlemen between wholesaler & consumers. Retailing is the final stage of distribution of goods and involves selling to the ultimate consumers. There are two types of retailers – itinerant and fixed shop retailers</p>	
3	<p>f) Define sales promotion. Give various techniques of sales promotion.(1 Mark for definition & 2 ½ Marks for any five techniques of sales promotion)</p> <p>Sales promotion includes the marketing activities other than personal selling, advertising & publicity that stimulate the consumer purchasing such as window display, shows, demonstration etc.</p> <p><u>Techniques of sales promotion</u></p> <p>1) Free samples-The medical representatives give free samples to the doctor. This method is useful for new products. It is an expensive method and used only by big organizations.</p>	3.5M



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	<p>2)Trading stamps-The stamps are issued in proportion to the purchase. The customers collect the stamps& exchange it for free product.</p> <p>3)Coupons -Coupons entitle the holder to save certain amount 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,</p> <p>4)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</p> <ul style="list-style-type: none">• With pack premium: The free product is given along with the product purchased by the customers.• A reusable container: The product is packed in a container that has utility for the customer after it is consumed.• Free in the mail premium: Free gift is given to the customer on producing a proof of purchase i.e. cash memo or wrapper of the product. <p>5)Prize contest: The contests are held for customers, salesmen and dealers. They are required to write slogan or complete sentence about the utility of the product. The best entry gets the prize.</p> <p>6)Fairs and exhibitions: These are organized to display and popularize product of the firm.</p>	
4	Answer any FOUR of following (3.5 marks each)	14M
4	<p>a) Explain 'Petty Cash Book 'along with its format.(2 Marks for explanation & 1½ Marks for Format)</p> <p>Petty cash book</p> <p>Large number of small payments, such as, for conveyance (bus, taxi), stationery, postage, telegrams, cartage and other miscellaneous expenses is made in any business organisation. If all these payments are handled by the cashier and are recorded in cash book, the procedure is found to be very cumbersome. To avoid this, a petty cashier is appointed. The petty cashier works on the imprest system that is definite sum known as imprest money is given to petty cashier to make small payment out of it. All small payments are handles by the petty cashier and are recorded in cash book. When he has spent a major portion of his imprest money he gets reimbursement of the amount spent from main cashier. The reimbursement may be</p>	3.5M



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made to the petty casher on weekly, fortnightly or monthly basis depending on the frequency of payment's made.

Dr

Cr

Dat e	Parti cular s	Tota l amt Rs	Dat e	Parti cular s	Vou cher num ber	Tota l amo unt Rs	Con veya nce Rs	Stat ione ry Rs	Postag e & telegra m Rs	Car tag e Rs	Mis c Rs	Re ma rks
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4 b) What do you mean by 'Balance Sheet'? Give its format and objective.(1Mark for meaning, 1 ½ Marks for any three objectives & 1 Mark for Format) 3.5M

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.

Objectives –

1. It provides information as to the total amount of money involved in running the business enterprise
2. It shows the financial state of the business firm as on a particular date
3. It gives information regarding the nature and the cost of assets of the firm
4. The information regarding nature and cost of firm liabilities is available from a balance sheet

Format

Dr

Cr

Liabilities	Amount Rs	Assets	Amount Rs
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4 c) Define economics. Write about different types of economic systems. 3.5M

Economics: It is a social science concerned with proper use of allocation of resources for achievement of various human needs.

OR

Economics is the social science concerned with the employment of scarce resources of society, having alternative uses to produce goods & services.



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		<p>There are three types of economic systems – capitalist, socialist and mixed</p> <ul style="list-style-type: none">• Capitalist system – There is freedom for the producers to acquire any property and to produce any product. The consumers are also free to use any product in any amount, they are at liberty to spend their income. The means of production and distribution are generally in the hands of private owners. The role of government is to protect the producers and consumers so as to avoid unhealthy competition and also to provide essential services to the public economically.• Socialist system – The large and basic industries are owned and controlled by the government, even the distribution is controlled by the govt.• Mixed system – The activities of both the systems capitalist and socialist are used. It means some economic activities are controlled by the government and certain other economic activities are kept open for the public.	
4	d)	<p>Write disadvantages of ‘Sole proprietorship’ type of business.(½ Mark each for any seven disadvantages)</p> <p>Disadvantages:</p> <ol style="list-style-type: none">1. The individual proprietor generally suffers due to lack of financial resources. So, it is difficult to expand the business.2. It is very difficult for a single person to look after all aspects of business. Eg, - production, sale, finance, advertising, keeping accounts competently3. The business is usually run on small scale. The benefits of large-scale business cannot be enjoyed as this may raise the cost of business.4. The liability for business debts is unlimited.5. The business ends with the death of the proprietor if the heirs are not qualified or competent to run the business6. There are no checks and control on the sole proprietor.7. The benefits of division of labour are not enjoyed by sole trader.8. The financial resources of a sole trader are generally limited.	3.5M
4	e)	<p>Define ‘Scrap and Surplus’. Give its disposal procedure. (1 Mark each for definition of scrap & surplus and 1 ½ mark for Disposal procedure)</p>	3.5M



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		<p>Scrap: Scrap is residue incidentally obtained from manufacturing process. It is usually a small value and is recoverable without further processing.</p> <p>Eg powder and fine granules obtained in processing of tablets, non-returnable containers and packing cases.</p> <p>Surplus items: Surplus items are those items which are not required by the organisation..Eg rejected components, defective parts, obsolete material etc</p> <p>There are two methods of disposal of scrap & surplus</p> <ul style="list-style-type: none">• It can be reprocessed into useful raw material for subsequent production• It is sold if it cannot be recycled into useful material.	
4	f)	<p>Write about various qualities of successful salesmen.(3 ½ Marks)</p> <p>Qualities of good salesman:</p> <p>A) Personal qualities:</p> <ul style="list-style-type: none">• A good salesman must have an attractive personality.• He must possess good health & sound physique• He should have a clear voice & his tone of speaking should be natural.• He should also be well dressed as it adds to his charm.• He must have good stamina. <p>B) Mental qualities:</p> <ul style="list-style-type: none">• A good salesman should possess a sound memory, presence of mind, imagination, foresightedness, sound judgement & initiative.• He should be intelligent enough to understand the nature & requirements of potential buyers.• He must have the imagination to look at things from the viewpoint of the customer.• He should be persuasive, tactful and convincing. <p>C) Social qualities:</p> <ul style="list-style-type: none">• A good salesman must have a liking for people & the ability to mix with them.	3.5M



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		<ul style="list-style-type: none">• He must not be shy & of reserved nature.• He should be sincere, dependable, co-operative & honest.• He should have patience to listen to his customers & resolve their objections.• He should always be polite & courteous while dealing with his customers.• He must help the customers in selecting the right type of goods. <p>D) Vocational skills:</p> <ul style="list-style-type: none">• A good salesman must have specialized knowledge of selling techniques.• He should have a thorough knowledge of the products, customers & competitive products already available in the market.• He should be fluent in different languages.	
5		Answer any FOUR of following (3.5 marks each)	14M
5	a)	<p>What is 'Profit and Loss Account'? Give its objective and format.(1Mark each for meaning & format and 1 ½ for objectives)</p> <p>Profit and loss account: is an account that 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.</p> <p>Objectives of profit and loss account:</p> <ol style="list-style-type: none">1. It provides information about net profit or net loss in the business during the accounting period.2. It helps in comparing the net profit or net loss of current year with the net profit or net loss of the previous year. From this comparison the businessman can come to know whether the performance of the business over the years is improving or declining.3. It guides in controlling expenses incurred in running the business enterprise & in sale of goods, thus eliminating wastage & improves future profitability.	3.5M



Format of 'Profit and Loss Account'

Dr

Cr

Particulars	Amount (Rs)	Particulars	Amount (Rs)

5

b)

What is journal? Give its format and advantages.(1 mark each for meaning & format and 1 ½ marks for any three advantages)

3.5M

Journal is the basic book of original entry. The journal provides a chronological record of all transactions with details of the accounts debited & credited & the amount of each transaction. The transactions from this book are posted in the ledger.

Date	Particulars	L.F.	Debit	Credit
(1)	(2)	(3)	(4)	(5)
	Narration			

Advantages of journal: (Any Three)

- 1) It is book of original entry, which provides date-wise record of all business transactions.
- 2) Each journal is a complete reflection of rule of double entry.
- 3) It reduces the chances of error in accounting.
- 4) Narration gives a brief explanation of particular transaction.
- 5) As the transactions are recorded immediately in journal as & when they take place, it eliminates the necessity of posting ledger immediately after the transaction.
- 6) The page number of the ledger is given in L.F. column in journal, which helps in locating the transaction posted in ledger.



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		7) Courts recognize the journal as evidence in proving or disproving claims.	
5	c)	<p>What do you mean by ‘Joint Stock Company’? Give its two advantages and two disadvantages.(1 ½ for meaning and 1 Mark each for any two advantages & disadvantages)</p> <p>A ‘Joint Stock Company’ is a form of business organization formed and registered under Company Act, 1956. A Joint Stock Company is organised to carry on a business on a large scale.</p> <p>Advantages: (any two)</p> <ol style="list-style-type: none">1) Large no. of investors are available for the capital, so a business can be organized on a large scale. .2) Well qualified & experienced persons can be appointed for effective management which helps the company to earn increasing profits.3) The shares of the company can be transferred easily & can also be easily converted into cash which attracts investors.4) The management of the company is conducted on democratic principles. The company is run by board of directors elected by members in general body meeting of the Co.5) The liabilities of the members of a company are limited to the nominal value of the shares held by them.6) Risk of each member is reduced because it is diffused and spread over several members of the company.7) Since a company pays income tax at flat rates, it bears low tax- liability on higher profits as compared to others.8) Insolvency, insanity or death of its members has no effect on existence of company <p>Disadvantages: (any two)</p>	3.5M



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		<ol style="list-style-type: none">1) Formation of company is costly, time consuming & number of formalities are required.2) Company cannot take prompt decisions, due to time lag between board meetings & difficulty in getting requisite quorum.3) It is not difficult for an unscrupulous management to indulge in malpractices & to cheat the investors.4) Company is not managed by proprietors (shareholders.) Directors sometimes misuse their positions.5) Secrecy of the business affairs cannot be maintained.6) A Joint stock company may gain exclusive control over the production or distribution of a commodity which may lead to exploitation of consumers.7) Persons controlling the company may attempt to influence economic & political decisions made by the government.	
5	d)	<p>Define management, pharmaceutical management. Mention various functions of management.(1 Mark each for definition of management & Pharmaceutical management and 1 ½ for Functions)</p> <p>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.</p> <p>Pharmaceutical management: When the principles and practices of management are applied to pharmaceutical industry and drug store, it is called as Pharmaceutical management.</p> <p>Functions of management:</p> <ol style="list-style-type: none">1. Planning2. Organizing	3.5M



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		<ol style="list-style-type: none">3. Staffing4. Directing5. Controlling6. Coordinating	
5	e)	<p>Give advantages of departmental store.(3 ½ Marks)</p> <ol style="list-style-type: none">1. It provides great convenience in shopping as customers can get their all requirements at 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 consumers to visit it.4. It buys its requirements in large quantities which reduces its cost & increases the profit.5. Due to huge sale in departmental stores, the selling cost per unit becomes very low.6. It provides telephone facilities, recreation facilities & free home delivery facility to its customers.7. It can afford to employ competent sales persons to attend to its customers. This leads to efficiency & increased customer satisfaction.	3.5M
5	f)	<p>Enlist the qualities of the approved supplier. (3 ½ Marks for any seven qualities)</p> <p>An approved supplier possesses following qualities: (any seven)</p> <ol style="list-style-type: none">1. The price is lowest or reasonable as compared to competitors.2. Has a good reputation in the market.3. Has a sound financial position. i.e can supply the material on credit.4. Possesses manufacturing capabilities of a range of materials.5. Has proven record to supply at a short notice.	3.5 M



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		<p>6. Provides after sales service or technical assistance as and when required.</p> <p>7. Supplies the required consignment according to the delivery schedule.</p> <p>8. Quotes agreeable terms & conditions of payment.</p>									
6		<p>Answer any FOUR of the following: (3.5 Marks for each)</p>	14M								
6	a)	<p>What is 'Trial Balance'? Explain two methods for preparation of Trial Balance along with its format.(1 Mark each for definition & any one format and 1 ½ Marks for methods for preparation)</p> <p>Trial balance: is a statement prepared to check the arithmetical accuracy of the book-keeping entries up to the date stated at the head of the trial balance. It ensures that both the aspects of each transaction have been duly recorded.</p> <p>Balance method:</p> <p>In this method, all the ledger accounts are first balanced. This is done immediately after postings have been made from books of original entry to the ledger. For this purpose, the debit & credit sides of each ledger account is totalled & balance on debit as well as credit side is obtained. The balances are then recorded on the debit or credit side of the trial balance. If the grand total of debit & credit balances tally, it shows arithmetical accuracy in the books.</p> <p>Trial Balance as on 31st March 2019</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2" style="text-align: center;"><i>Particulars</i></th> <th colspan="2" style="text-align: center;"><i>Balance</i></th> </tr> <tr> <th style="text-align: center;"><i>Dr</i></th> <th style="text-align: center;"><i>Cr</i></th> </tr> </thead> <tbody> <tr> <td style="height: 100px;"></td> <td></td> <td></td> </tr> </tbody> </table>	<i>Particulars</i>	<i>Balance</i>		<i>Dr</i>	<i>Cr</i>				3.5M
<i>Particulars</i>	<i>Balance</i>										
	<i>Dr</i>	<i>Cr</i>									



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Total amount methods: In this method the total on debit side of every ledger account is entered under debit column of the trial balance & the total on the credit side of each ledger account is recorded under credit column of the trial balance. A grand total of both debit and credit side is then taken. In case grand total on both sides tally, it indicates arithmetical accuracy of the trial balance.

Trial Balance as on 31st March 2019

Particulars	Debit total(Rs)	Credit total(Rs)

6

b)

What is 'Day-Book'? Explain in short various types of Day-Books.(½ Mark for meaning and 3 Marks for any three day books)

There are large numbers of transaction of similar type. In order to maintain a proper record of all such transaction the firm maintains special journal known as day book.

Following 'Day-Books' are commonly used:

- 1) **Purchases journal/book-** It is also called 'Invoice book' & is used for recording purchase of goods on credit. The entries into purchases are recorded from the invoices or bills received from the supplier of goods. Trade discount & other details are not recorded.
- 2) **Sales journal/book-** It is used for recording of sale of goods on credit. The entries into sales journal are recorded from sales invoices or bills issued by the firm to the customers.
- 3) **Purchases return journal/book-** It is used for recording transactions relating to return of goods purchased on credit. When goods are returned to the supplier, a debit note is prepared in duplicate.
- 4) **Sales return journal/book-** It is used for recording transactions relating to return of

3.5M



		goods sold by a firm to customers on credit. On receipt of goods from customer, a credit note is prepared in duplicate.	
6	c)	<p>Give salient features of Multiple Shop.(3 ½ Marks for any seven features)</p> <p>Following are the salient features of multiple shop:</p> <ol style="list-style-type: none">1. They are group of shops in the same branch of retail trade.2. There is fixed price & std. quality of goods available.3. The branches can be easily identified due to uniformity in decoration4. The middlemen profit is avoided as there is direct contact bet. Producer & customer.5. The goods can be transferred to other branches if needed.6. The sale is on cash payment.7. The supply of items to various branches is made direct from head office8. A single firm's branches are situated at different locations in the city or different parts of the country.9. They provide shopping facilities near the residence of would be customers.10. Each branch deals in similar line of goods.11. Purchasing, assembling, transporting, advertising & financing for all multiple shops is made by central office.	3.5M
6	d)	<p>List the documents required for getting the license of starting wholesale trade.(3 ½ Marks)</p> <p>The documents required for getting the license of starting wholesale trade are as follows:</p> <ol style="list-style-type: none">1. Application in duplicate on Form 19 of The Drug & Cosmetics Rules. One copy for biological drugs & other for non-biological drugs.2. A fee of Rs. 1500/- per license (Total Rs. 3000/-) to be deposited in State Bank of India/Government Treasury on challan form in specified head for grant of wholesale license.3. (a) Attested copy of Diploma in Pharmacy from any institution duly recognized by Pharmacy Council of India. (b) Attested copy of registration certificate issued by State Pharmacy Council &	3.5M

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	<p>Certificate on the basis of which registration was done with State Pharmacy Council.</p> <p>(c) Attested copy of the 'Experience certificate' of minimum of 4 years in sale/distribution of drugs after Matriculation on salary basis.</p> <p style="text-align: center;">OR</p> <p>Attested copy of the 'Experience certificate' of minimum of one year in dealing with drugs after graduation, in any discipline, from a recognized university on salary basis.</p> <p>(d) Attested copy of matriculation certificate/graduate degree certificate.</p> <p>(e) Affidavit of the qualified person if the qualified person is an employee of the firm.</p> <p>4. Affidavit to be given on non-judicial stamp paper duly attested by first class magistrate by each partner in case of partnership concern & by proprietor himself/herself in case of proprietorship concern.</p> <p>5. Plan of the premises on blue print.</p> <p>6. Rent receipt in case of rented premises or affidavit if the person is himself/herself the owner of premises.</p> <p>7. Copy of the partnership deed in case of a partnership concern.</p> <p>8. Receipt showing the purchase of refrigerator.</p>	
6	<p>e) Write note on perpetual method of inventory control along with its advantages.(2 Marks for short note and 1 ½ Marks for any three advantages)</p> <p>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 of-</p> <p>1. Bin Card</p> <p>2. Stores ledger</p> <p>3. Continuous stock-taking</p>	3.5M



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		<p>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.</p> <p>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.</p> <p>Continuous stock taking : Under this system only a limited number of items are verified on a day. The selection of the items of materials should be such that each item of material gets checked up at least a certain number of times in a year & checking of a particular item is evenly distributed during the period. 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.</p> <p>Advantages of perpetual method of inventory control</p> <ol style="list-style-type: none">1) Balance of stock can be known at any time during the year2) It is helpful in formulating proper purchase policies3) Detail & more reliable check can be obtained4) Errors & shortages of stock are discovered & can be avoided in future5) Capital investment in material will be controlled6) Continuous stock verification makes store keeper more efficient. <p style="text-align: center;">OR</p> <ol style="list-style-type: none">1) It helps in detection & immediate rectification of errors & discrepancies.2) It ensures reliable checking of the items in a systemic way without disturbing routine work.3) Timely action can be taken on serious shortage.4) There is a moral check on the staff.5) It helps in compilation of profit & loss account & balance sheet.6) Overstocking & under stocking is avoided.	
6	f)	<p>Define financial planning. Give various sources for collection of finance.(1 Mark for definition and 2 ½ Marks for sources)</p> <p>Financial planning: is defined as the process of deciding the financial activities or goals of</p>	3.5M



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organization.

Various sources of collection of finance are:-

1. **Owned capital-** It is contributed by owner & remains invested in business.
2. **Loan capital-** It may be raised from individual banks or financial institutions. It involves periodical payments of interest at a fixed rate & repayment of loan capital after the expiry of the stipulated period. It is available against mortgage or pledge of property of borrower.

On the basis of duration, sources of finance are classified into:-

1. **Long term finance** (ten years or more)
 - a. Shares- Preference shares, Ordinary shares
 - b. Debentures
 - c. Ploughing back of profits
 - d. Financial Institutions- IFCI, IDBI, ICICI, IRBI, NSIC, SFC's, SIDC's, UTI
2. **Medium term finance** (three to ten years)
 - a. Issue of preference shares
 - b. Public deposits
 - c. Mortgages
 - d. Issue of debentures
 - e. term loans from bank
 - f. Assistance from special financial institutions.
3. **Short term finance** (less than two years)
 - a. Trade credit
 - b. Bank credit
 - c. Installment credit
 - d. Customer advances



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