



MODEL ANSWER

SUMMER - 18 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 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		Solve any <u>EIGHT</u>: (2marks each)	16M
1	a)	<p>Mention four disadvantages of opening a drug store in a big city.(2M for any four points)</p> <p>Disadvantages of opening a drug store in a big city are as follows:</p> <ol style="list-style-type: none">1) A lot of investment is required for starting a drug store.2) Higher municipal taxes.3) Higher cost of living.4) Many competitors exist near the location of the drug store.5) Higher wages to the employees.6) Enough parking space is not available.	
1	b)	<p>Define Economics.(1 Mark) State various elements of Economics.</p> <p>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.</p> <p>Various elements of economics are:(1 Mark for any two points)</p> <ol style="list-style-type: none">1) Economics is the study of human activities in relation to wealth only.2) Economics studies about how man earns his income & its expenditure.3) It systemically collects, classifies & analyses the economic facts.4) Modern elements of economics are the study of the economic system under which man live & work.5) Economics is a pure science & not art .Its function is to explore & explain & to solve the problem.	



1	c)	<p>Define Budget.(1 Mark)What is Budgetary control?(1 Mark)</p> <p>A budget is a written plan covering projected activities of a firm for a definite period of time.</p> <p>Budgetary control: means constant checking and evaluation of actual results achieved compared with the budget goals, which enables the management to take corrective action where indicated.</p>	
1	d)	<p>Write the different methods of storage of drugs in a drug store.(2 Marks)</p> <p>The drug stored in drug store be arranged in such a way that they are easily traceable as & when required. The different methods of storage of drugs in a drug store are:</p> <ul style="list-style-type: none">a) According to manufacturers: Drugs are arranged manufacturer wise. Example- Drugs manufactured by Cipla ltd. are placed at one place.b) According to pharmacological action: Drugs are divided according to their pharmacological action. Example- All analgesics are placed at one place.c) Alphabetically: Drugs are placed alphabetically. Drugs with first letter 'A' may be placed at one place & so on.	
1	e)	<p>Define Bank.(1 Mark) Enlist different types of banks.(1 Mark)</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 style="text-align: center;">OR</p> <p>Bank is an institution where the transactions of money take place.</p> <p>Types of banks</p> <ul style="list-style-type: none">1) Commercial bank2) Saving banks3) Land development banks4) Cooperative banks5) Industrial banks6) Exchange banks7) Mixed banks	



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1	f)	<p>Define inventory control (1 Mark)& write its objectives.(1 Mark)</p> <p>Inventory control is a process of maintaining optimum level of inventory by using any technique of inventory control.</p> <p style="text-align: center;">OR</p> <p>It is a systematic control, constant checking & evaluation of stored inventories.</p> <p>Objectives of inventory control</p> <ul style="list-style-type: none">(1) Maximum customer service(2) Minimum inventory investment(3) Low cost plant operation	
1	g)	<p>State the various forms of business organization.(2 Marks for four forms)</p> <p>Various forms of business organisations are:</p> <ul style="list-style-type: none">1) Sole proprietorship – Ex. Small scale retail shop2) Partnership Ex. Large scale retail shop.3) Joint Stock company Ex. Sun pharma, Ranbaxy etc.4) Cooperative society Ex. Sahakari Bhandar	
1	h)	<p>Define finance(1 M) and enlist various sources to raise long term finance.(1 M)</p> <p>Finance:- Finance is the provision of money at any time when business require it. It is necessity at all levels in the business organizations.</p> <p>Various sources to raise long term finance are:</p> <ul style="list-style-type: none">(a) Shares- Preference & Ordinary shares(b) Debentures(c) Ploughing back of profit(d) Financial institutions	



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1	i)	<p>Write formula to calculate the retail price of drug formulation.(2 M)</p> <p>The following formula is generally employed to calculate the retail price of drug formulation:</p> $RP = \frac{(MC + CC + PM + PC) \times (1 + \frac{MAPE}{100}) + ED.}{100}$ <p>Where,</p> <p>RP= Retail price MC= Material cost CC= Conversion cost as per norms notified from time to time PM= Cost of packing material PC= Packing charges MAPE= Maximum allowable post manufacturing expenses ED= Excise duty</p>	
1	j)	<p>Define scrap.(1M) State different types of scrap.(1M)</p> <p>Scrap is the residue obtained from manufacturing processes. It is recovered without further processing.</p> <p style="text-align: center;"><u>OR</u></p> <p>Scrap is residue incidentally obtained from manufacturing process. It is usually a small value and is recoverable without further processing.eg. powder and fine granules obtained in processing of tablets, non-returnable containers and packing cases.</p> <p>Different types of scrap are:</p> <ul style="list-style-type: none">a) Legitimate scrapb) Administrative scrapc) Defective scrap	
1	k)	<p>Explain merchant middlemen.(2M)</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> <ul style="list-style-type: none">a) Wholesalerb) Retailer	



1	1)	Give advantages of advertising.(2M) <ol style="list-style-type: none">1. It helps in the introduction of new products.2. It promotes the sale of goods & services by persuading the people to buy them.3. Helps in increase the demand.4. It helps to face the competition in the market.5. Helps to improve reputation of the firm.6. It educates the customers to buy quality goods.7. It improves the std. of the people by stimulating the desire for better things.8. It generates employment for the people of this field.9. It provides revenue to magazine, newspaper & media.10. It increases the production so the overhead expenses reduce , the selling price may decrease, it helps to expand the market.11. It helps in maintaining stability & uniformity of price.	
2		Solve any <u>FOUR</u>:(3marks each)	12M
2	a)	Define Market Research..(1M) Explain survey method of market research..(2M) Market research is defined as systematic, objective & exhaustive research of the facts relevant to any problem in the field of marketing. <u>OR</u> It is the systematic gathering, recording and analysing the data about the problems associated with the sale of goods and services from manufacturer to consumer. The following survey methods are used: personal interview method Telephonic interview method, Postal survey method Panel method personal interview – it is a costly but accurate method .The skilled persons collect information from selected people, using questionnaire. Telephonic interview method- The method is useful as it saves time & money on traveling. Large number of people can be contacted in a day. Disadv.- 1)The method is useful for telephone subscribers only. 2)Long discussions may not be possible 3)there may be technical faults in the lines.	



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		<p>Postal survey method :</p> <ol style="list-style-type: none">1) In this method respondents are approached through the medium of postal service.2) Letters are sent to a group of individuals along with questionnaire to be completed and returned.3) Two or three follow up letters may be sent after waiting for some time.4) Reply paid envelope is sent with questionnaire to get a quick response. <p>Panel method:</p> <ol style="list-style-type: none">1) In this method a consumer panel is selected for getting information on the product.2) A consumer panel may be group of persons or families.3) A panel may be interviewed periodically regarding facts relevant to the survey and necessary conclusions there can be drawn from the observations made by the panel.	
2	b)	<p>State advantages of co-operative society business.(3M for any six points)</p> <ol style="list-style-type: none">1) A cooperative society is a voluntary organization formed by 10 adult persons & requires few legal formalities.2) There is no discrimination on the basis of the number of shares held by members.3) Liability of the members of a cooperative is limited to certain proportion of their capital contribution.4) The life of a cooperative society is not affected by death, insolvency or conviction of a member.5) There is coordination among its members.6) Its membership is open to everyone.7) State government offers many types of assistance, such as, facility of loans, exemptions & reliefs, low tax rate etc.8) Balance of the surplus earned is used for growth & development of society.	
2	c)	<p>Describe evaluation system of the pharmacist.(3 M)</p> <p>Evaluation of pharmacist is done by following parameters:</p> <ol style="list-style-type: none">1) Personality2) Appearance3) Alertness and promptness in dealing with customers4) Courtesy and attitude toward customers	



		<p>5) Personal acquaintance with customers</p> <p>6) Cooperation with colleagues</p> <p>7) Product knowledge</p> <p>8) Selling ability</p> <p>9) Suggestive selling</p> <p>10) Self improvement</p> <p>The grades good, average & poor may be given on each count mentioned in the check list & consolidated report is prepared.</p>	
2	d)	<p>Explain VED analysis of inventory control.(3 M)</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.</p> <p>E= essential</p> <p>D= desirable.</p> <p>There should be 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</p> <p>hence divide as follows</p> <p>V=vital, Disprin</p> <p>E= essential, Micropyrine</p> <p>D=desirable, Anacin</p>	
2	e)	<p>Define(1M for each)</p> <p>(i) Trade: Trade means buying, selling and exchange of goods & services.</p> <p>(ii) Consumer goods: The goods of an industry which are used by final consumers are called as consumer goods.</p> <p>(iii) Management: Management is the process of conducting and managing various business activities .It is the art of securing maximum results with the</p>	



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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.

2. f) Differentiate between a trial balance & a balance sheet.(3 M for any six points)

Trial Balance	Balance sheet
It is prepared to check the arithmetical accuracy of posting transactions to the ledger.	It is prepared to know the financial position of the business enterprise on a given date.
It can be prepared anytime.	It is generally prepared at the end of the accounting period.
It shows 'debit balances' & 'credit balances'.	It shows 'liabilities' & 'assets'.
All types of accounts find their place in a trial balance.	In a balance sheet, accounts of assets, liabilities, capital & those accounts which are in force on the date of balance sheet are presented.
It is not possible to have information about net profit or net loss.	The information about net profit earned or net loss incurred is provided in a balance sheet.
Opening stock appears in a trial balance & not the closing stock.	Only the closing stock appears on the assets side of the balance sheet.
It is not recognized by the court.	It is recognized by the court.
It is not essential to prepare trial balance.	It is essential to prepare balance sheet at the end of accounting period.
It can be prepared without making any adjustments regarding prepared expenses, incomes received in advance etc.	It cannot be prepared without making adjustments regarding prepared expenses, outstanding expenses, income received in advance, making provision



			for possible losses etc.		
3		Solve any <u>FOUR</u> : (3 marks each)			12M
3	a)	Explain various objectives of Budgetary control.(1M for each objective) Objectives of Budgetary control: The main objectives of budgetary control are given below: 1) Planning: A sound planning is necessary for the success of any firm. So it is very essential to prepare the budget and draw the detailed programmes relating to production schedule, raw materials costs, sales targets, research programmes, advertising programmes etc. In fact, budget is a plan of action. The budgetary control will force the management at all the levels to plan in time all the activities to be done during the future periods. 2) Co-ordination: For effective planning and implementation co-ordination between different departments and managements is very necessary. It helps to co-ordinate the various activities of the firm and secure co-operation of all concerned so that the common objectives of the firm may be successfully achieved. 3) Control: It is necessary to ensure that all the plans and objectives are implemented and achieved successfully. This is only possible through budgetary control which makes the control possible by comparing the actual performance with the pre-determined plans and reporting the shortcomings to the management for the corrective action. No control of performance is possible without pre-determined standards.			
3	b)	Define:(1M for each) i) Overdraft facility: The overdraft facility permits the customer to overdraw from his account however the bank fix 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. ii) Cash credit facility: 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.			



		<p>iii) Discounting of bills:</p> <p>The bank encash the customer's bill before they become due for payment and for this service the bank charges a nominal discount.</p>																			
3	c)	<p>Differentiate between departmental stores and multiple shops.(3M for any six points)</p> <table border="1"><thead><tr><th>Departmental store</th><th>Multiple Shop</th></tr></thead><tbody><tr><td>1)Wide variety of products are available</td><td>1)Particular type of product are available</td></tr><tr><td>2)No uniform pricing system</td><td>2) Uniform pricing in all the branches</td></tr><tr><td>3) Control over the activity is easier</td><td>3)Control is difficult</td></tr><tr><td>4)No uniformity in decoration</td><td>4) uniformity in decoration</td></tr><tr><td>5)They provide number of services & amenities</td><td>5) No other services to the customer</td></tr><tr><td>6)Sell of goods in cash & credit</td><td>6) Sell is only on cash basis</td></tr><tr><td>7) Stores mainly for rich people</td><td>7) For general public</td></tr><tr><td>8)Located in the center of the city.</td><td>8) Located in various localities of city.</td></tr></tbody></table>	Departmental store	Multiple Shop	1)Wide variety of products are available	1)Particular type of product are available	2)No uniform pricing system	2) Uniform pricing in all the branches	3) Control over the activity is easier	3)Control is difficult	4)No uniformity in decoration	4) uniformity in decoration	5)They provide number of services & amenities	5) No other services to the customer	6)Sell of goods in cash & credit	6) Sell is only on cash basis	7) Stores mainly for rich people	7) For general public	8)Located in the center of the city.	8) Located in various localities of city.	
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3	d)	<p>Explain the importance of management.(3M for any six points)</p> <ul style="list-style-type: none">➤ It helps in the optimum utilisation of all types of resources to achieve the best possible results.➤ It helps to increase the proficiency in handling business.➤ It helps to reduce the cost of production and increase the output.➤ It helps to utilise the services of the talented persons which are employed in the organisation to achieve the planned target.➤ It helps to make stable & progressive growth of the organisation in the changing environment.➤ It helps to design new products by adopting new techniques so as to give maximum satisfaction to the consumers and the society.➤ It helps to maintain the discipline which is achieved due to proper supervision at all levels in the organisation.																			



3	e)	<p>Define Accounting Concept.(1 M) Explain money measurement concept(1 M) and dual aspect concept.(1 M)</p> <p>Accounting Concept :</p> <p>Accounting Concept Means the necessary assumptions or conditions upon which accounting is based.</p> <p>Money measurement concept-</p> <p>According to this concept all business transactions are required to be recorded in terms of money. Those transactions that are not capable of being recorded in terms of money are not recorded in the accounting books, because the monetary unit is relevant, simple and understandable. By expressing all assets and liabilities in terms of money, it is possible to include them during the preparation of financial statements.</p> <p>Dual aspect concept.</p> <p>The main aim of doing business is to earn profit .The profit earned is added to the capital at the end of the accounting period. Capital is what remains to the owner when all outside liabilities are paid off from the available assets of the business and can be computed by following equation</p> $\text{Capital} = \text{Assets} - \text{Liabilities}$ <p style="text-align: center;">or</p> $\text{Assets} = \text{Liabilities} + \text{Capital}.$	
3	f)	<p>Define salesmanship.(1 M) State qualities of good salesman .(2 M)</p> <p>Salesmanship:</p> <p>Salesmanship is the process of creating demand & promoting sales by assisting & persuading the buyer to buy a particular item in face to face situation.</p> <p>Qualities of good salesman:</p> <p>A) Personal qualities:</p> <ol style="list-style-type: none">1. A good salesman must have an attractive personality.2. He must possess good health & sound physique3. He should have a clear voice & his tone of speaking should be natural.4. He should also be well dressed because it adds to his charm. <p>B) Mental qualities:</p> <ol style="list-style-type: none">1. A good salesman should possess a sound memory, presence of mind, imagination,	



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		<p>foresightedness, sound judgment & initiative.</p> <p>2. He should be intelligent enough to understand the nature & requirements of potential buyers.</p> <p>3. He must have the imagination to look at things from the viewpoint of the customer.</p> <p>C) Social qualities:</p> <p>1. A good salesman must have a liking for people & the ability to mix with them.</p> <p>2. He must not be shy & of reserved nature.</p> <p>3. He should be sincere, dependable, co-operative & honest.</p> <p>4. He should have patience to listen to his customers & remove their objections.</p> <p>5. He should always be polite & courteous while dealing with his customers.</p> <p>6. He must help the customers in selecting the right type of goods.</p> <p>D) Vocational skills:</p> <p>1. A good salesman must have specialized knowledge of selling techniques.</p> <p>2. He should have a thorough knowledge of the products, customers & competitive products already available in the market.</p>	
4		Solve any <u>FOUR</u>: (3marks each)	12M
4	a)	<p>Define Advertisement.(1 M) Enlist different medias of advertisement.(2 M)</p> <p>Advertisement :-</p> <p>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. It is the paid form of communication.</p> <p>Media for Advertising:</p> <p>Press advertisement-Ex. newspapers and magazines</p> <p>Literature advertisement –Ex. letters, circulars, catalogues and leaflets.</p> <p>External advertisement – Ex. posters on walls and electronic display.</p> <p>Miscellaneous advertisement –Ex. T.V., radio, window display, cinema slides etc.</p>	



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4 b) Explain maximum stock level, minimum stock level, re-order level. .(1 M each)

Maximum stock level:

Maximum stock level represents the upper limit beyond which the quantity of any item is not normally allowed to rise.

The formula for computing maximum stock level is as follows

$$\text{Maximum level} = \text{Re-order level} + \text{Re-order quantity} - \text{Minimum consumption}$$

$$\text{Minimum consumption} = \frac{\text{Minimum consumption}}{\text{per week}} \times \text{Minimum re-order period}$$

Minimum stock level

Minimum stock level or safety stock 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.

Re order level :

Re order level is fixed between the minimum and maximum stock levels. When stock of an inventory reaches at this point the process for purchase of material should be started.

$$\text{Reorder level} = \text{Minimum consumption} \times \text{Maximum re-order period}$$

During the period re-order period.



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4	c)	<p>Differentiate between Profit and Loss Account and Balance Sheet. (3M)</p> <table border="1"><thead><tr><th data-bbox="264 392 823 448">Profit and Loss Account</th><th data-bbox="823 392 1347 448">Balance Sheet</th></tr></thead><tbody><tr><td data-bbox="264 448 823 560">In this account the nominal accounts are shown</td><td data-bbox="823 448 1347 560">Here Personal accounts and real accounts are shown</td></tr><tr><td data-bbox="264 560 823 728">It provides information regarding net profit or net loss</td><td data-bbox="823 560 1347 728">It provides information regarding financial position of the business</td></tr><tr><td data-bbox="264 728 823 896">It is ledger account which provides information about debits and credits</td><td data-bbox="823 728 1347 896">It is only a statement of assets and liabilities</td></tr><tr><td data-bbox="264 896 823 1008">It is an account so the words "To" and "By" are used.</td><td data-bbox="823 896 1347 1008">It is a statement so the words "To" and "By" are not used.</td></tr><tr><td data-bbox="264 1008 823 1176">The balance of this account indicates profit or loss of the business</td><td data-bbox="823 1008 1347 1176">The totals of both the side of the balance sheet are always same</td></tr><tr><td data-bbox="264 1176 823 1400">The account shows profit or loss made by the business as on a fixed date.</td><td data-bbox="823 1176 1347 1400">It shows the financial position of the business enterprise on a fixed date.</td></tr></tbody></table>	Profit and Loss Account	Balance Sheet	In this account the nominal accounts are shown	Here Personal accounts and real accounts are shown	It provides information regarding net profit or net loss	It provides information regarding financial position of the business	It is ledger account which provides information about debits and credits	It is only a statement of assets and liabilities	It is an account so the words "To" and "By" are used.	It is a statement so the words "To" and "By" are not used.	The balance of this account indicates profit or loss of the business	The totals of both the side of the balance sheet are always same	The account shows profit or loss made by the business as on a fixed date.	It shows the financial position of the business enterprise on a fixed date.	
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4	d)	<p>Explain the legal requirement for starting a retail drug store..(3 M)</p> <p><u>Minimum qualification</u></p> <ol style="list-style-type: none">1) D.Pharm from a recognized institute.2) Registered pharmacist with the state pharmacy council. <p><u>Minimum space</u></p> <ol style="list-style-type: none">1) The store should fulfil 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. <p><u>Store arrangements:</u></p> <ol style="list-style-type: none">1) There should be sufficient racks to store drugs & pharmaceuticals.2) Refrigerator is mandatory to store antibiotics vitamins, vaccines sera etc.															



		<p><u>Licence</u></p> <p>A licence is required to sell, stock or exhibit for sale or distribute drugs.</p>	
4	e)	<p>Write a short note on primary sources of marketing research.(3 M)</p> <p>Primary sources: The survey techniques are used to collect information from the primary sources. These are</p> <p>i) Salesmen ii) Dealers iii) Consumers</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 firms product. They will provide first-hand knowledge of the markets conditions and distribution system without any additional expense.</p> <p>ii) Dealers:</p> <p>Dealers may be contacted to provide information regarding the percentage of the sales of the firms product to the total sale of that kind of product of other firms over a certain period and feedback about the consumer's reaction to the product.</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>	
4	f)	<p>What is the purpose of giving training to a newly required pharmacist? (3 M)</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 enterprises2. Routine work of drug store such as, display of inventory, recording methods of sale, maintaining cash book, proper wrapping etc.3. The technical knowledge of selling of product.4. Dealing with customers who visit the drug store.5. Highlights of new products should be known to pharmacist.6. Handling of prescription.	



5		Solve any <u>FOUR</u> of the followings :(3marks each)	12M
5	a)	What do you mean by mail order business?(1M) Mention its advantages.(1M) and disadvantages.(1M) Mail order business: It is a type of retail trade in which all business activities take place through mail or post. Advantages: (Any two) 1) It does not require a shop to start a business. 2) Requires a low capital 3) It is very useful for those customers who live in remote areas of the country. 4) There is no danger of bad debts, since the price of goods is received either in advance or collected from post office when goods are sent by V.P.P. 5) There is a direct link between manufacturer and customers. 6) The seller gets a very wide market to sell his products. Disadvantages: (Any two) 1) A buyer can not examine the goods before its purchase. 2) A large amount of money is spent on advertisement, correspondence, packing of goods which increases the overhead expenses and hence the price of goods. 3) The credit facility is not available to the customers. 4) There is a risk of damage of goods during transportation. 5) There is a lack of personal contact between manufacturer and customers so it is difficult to make permanent customers. 6) There are the chances of cheating by dishonest trader. 7) The illiterate customers cannot use this facility. 8) Lot of time is wasted by the customer for correspondence.	3M



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5	b)	<p>Give the objectives of trial balance.(1M) Explain the methods of trial balance.(2M)</p> <p>Objectives of trial balance:</p> <p>a) To ascertain the arithmetical accuracy of the ledger accounts</p> <p>b) To help in locating errors</p> <p>c) To help in the preparation of final accounts:</p> <p>Methods of preparation of trial balance are as follows:</p> <p>1) Balance method: In this method all the ledger accounts are first balanced. The balances are then recorded on the debit & credit side of the trial balance. If the grand total on debit & credit side balances tally, it shows that the books are accurate arithmetically.</p> <p>2) 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. In case grand total on both sides tally, it indicates arithmetical accuracy of the trial balance.</p>	3M			
5	c)	<p>Define the master budget.(1M) Give detail classification of budget.(2M)</p> <p>Master budget:-When the functional budgets have been completed the budget officer will prepare a master budget. This budget combines all the functional budgets into one harmonious unit which is finally approved, adopted and employed. The budget contains details regarding sales, production costs, cash position and key account balances like fixed assets, debtors, stock etc.</p> <p>Classification of Budget</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; border-top: 1px solid black; border-left: 1px solid black; border-right: 1px solid black; padding: 5px;"> <p>According to time factor</p> <p>1. Long-term budget</p> <p>2. Short-term budget</p> <p>3. Current budget.</p> </td> <td style="width: 33%; border-top: 1px solid black; border-left: 1px solid black; border-right: 1px solid black; padding: 5px;"> <p>According to Flexibility factor.</p> <p>1. Fixed budget.</p> <p>2. Flexible budget.</p> </td> <td style="width: 33%; border-top: 1px solid black; border-left: 1px solid black; border-right: 1px solid black; padding: 5px;"> <p>Functional classification.</p> <p>1. Sales budget.</p> <p>2. Selling and distribution cost budget</p> <p>3. Production budget.</p> <p>4. Production cost budget.</p> <p>5. Purchase budget.</p> <p>6. Labor cost budget.</p> <p>7. Production overhead budget.</p> <p>8. Capital budget.</p> <p>9. Cash budget.</p> <p>10. Master budget.</p> </td> </tr> </table>	<p>According to time factor</p> <p>1. Long-term budget</p> <p>2. Short-term budget</p> <p>3. Current budget.</p>	<p>According to Flexibility factor.</p> <p>1. Fixed budget.</p> <p>2. Flexible budget.</p>	<p>Functional classification.</p> <p>1. Sales budget.</p> <p>2. Selling and distribution cost budget</p> <p>3. Production budget.</p> <p>4. Production cost budget.</p> <p>5. Purchase budget.</p> <p>6. Labor cost budget.</p> <p>7. Production overhead budget.</p> <p>8. Capital budget.</p> <p>9. Cash budget.</p> <p>10. Master budget.</p>	3M
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5	d)	Differentiate between Wholesaler & Retailer.(3 M for any 6 points)	3M																				
		<table border="1"><thead><tr><th>Retailer</th><th>Wholesaler</th></tr></thead><tbody><tr><td>Middlemen between wholesaler & consumer</td><td>middlemen between Manufacturer & retailer</td></tr><tr><td>deals in small scale business</td><td>deals in large scale business</td></tr><tr><td>Sells goods for consumption</td><td>sells goods for resale</td></tr><tr><td>Location is very important</td><td>Location of shop is not important</td></tr><tr><td>Window display is important</td><td>Window display of goods not important</td></tr><tr><td>Deals in large no of products of different manufacturer</td><td>Deals in specific type of product</td></tr><tr><td>provides after sale service</td><td>Do not provide after sale service</td></tr><tr><td>Sells at higher margin of profit</td><td>Sells goods at low margin of profit since turnover of sale is high.</td></tr><tr><td>Has direct contact with the customers</td><td>Don't have direct contact with customer</td></tr></tbody></table>	Retailer	Wholesaler	Middlemen between wholesaler & consumer	middlemen between Manufacturer & retailer	deals in small scale business	deals in large scale business	Sells goods for consumption	sells goods for resale	Location is very important	Location of shop is not important	Window display is important	Window display of goods not important	Deals in large no of products of different manufacturer	Deals in specific type of product	provides after sale service	Do not provide after sale service	Sells at higher margin of profit	Sells goods at low margin of profit since turnover of sale is high.	Has direct contact with the customers	Don't have direct contact with customer	
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5	e)	Define the terms: (1 M each) i) Bad debts: The debts which are irrecoverable called bad debts. ii) Insolvency: It is a state, when a person is not in a position to pay all his liabilities. iii) Liabilities: Liabilities are the obligations or debts that an enterprise must pay in money or services at sometimes in future.	3M																				
5	f)	Define industry.(1 M) Give detail classification of industry.(2 M) Industry: it is the part of business activity which relates to production, processing, or fabrication of products. Classification of industry 1) Industries based on type of good produced a) Extractive industries e.g. fishing, hunting, agriculture etc	3M																				



	<p>b) Genetic Industries e.g. Poultry farms, breeding farm & nurseries, etc.</p> <p>c) Construction Industries Involved in construction of building roads dams, etc.</p> <p>d) Manufacturing industry They are sub classified as,</p> <p>i) Analytical industry-.e.g. .fractional distillation of crude oil</p> <p>ii) Synthetic Industry – e.g. manufacturing of benzoic acid from oxidation of benzyl alcohol.</p> <p>iii) Processing industry – e.g. Textile industry, Pharma industry, paper industry</p> <p>iv) Assembly line industry - e.g. computers, T. V. etc.</p> <p>2) Industries based on Size & amount of investment</p> <p>i) Light industries: Involves small capital investment & have short duration production. e.g. Manufacturing of collapsible tubes, closures, etc.</p> <p>ii) Heavy industries: requires big capital investment & involve longer production cycle. e.g. Iron & steel industry</p> <p>3) Industries based on Capital employed:</p> <p>i) large Scale industry:: The capital involved is more than 10 lac in the plant & machinery. e.g.. Pharma industry</p> <p>ii) small scale industry: The capital involved is less than 10 lac in the plant & machinery. e.g. Cottage industry.</p> <p>4) Official classification of industries: For licensing purpose govt. has made a std. classification of industries as given under the 1st schedule to industries. (development & regulation) Act 1951. These industries are classified according to the type of products produce by them e.g. Pharma industry, Medical & Surgical appliances, etc.</p>	
6	Solve any FOUR:(4 marks each)	16M
6	<p>a) What do you mean by Double entry Book- Keeping system? (1M) State its objective (2M) and give principle of the double entry book- keeping system (1M)</p> <p>The double entry book keeping system is based on the fact that every transaction has two fold aspect, a giving aspect & receiving aspect.</p> <p>Objectives of Double entry system of book –keeping are as follows (any four)</p> <p>1) Maintaining a systematic record of business transactions.</p>	4M



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		<ol style="list-style-type: none">2) To find out the amount receivable from customers.3) To find out the amount payable to his suppliers.4) To find the business expenses during the year.5) To find the business income during the year.6) It reduces the possibility of misuse of funds7) It provides information regarding assets and liabilities8) It shows comparison of past and present business <p>Principle: In double entry Book- Keeping the basic principles are</p> <ol style="list-style-type: none">1) The receiver is debited with the monetary value of whatever he receives.2) The giver is credited with the monetary value of whatever he gives.3) Every debit requires a credit & vice versa.	
6	b)	<p>Define joint stock company (1M). State the salient features of the joint stock company.(3M)</p> <p>Joint stock company: A business which is run as per various statutory requirements of the Company Act.</p> <p>Salient features of the joint stock company:(Any 6 Points)</p> <ol style="list-style-type: none">1) In India, a company must be registered with the Registrar of Companies under the Companies Act,1956.2) Members or shareholders are owners of company.3) Business are run by board of directors elected by members in general body meeting of the company.4) Investors can invest small or large sums as per their wish.5) Liability of members is limited to the unpaid value of shares held by them.6) Shareholder is always free to withdraw by transferring his shares.7) Company can own hold or dispose of property in its own name. The shareholders cannot claim to be joint owners.8) Company is a legal person. Its life does not depend on the life of members.9) A company cannot sign documents for itself. Common seal on it is used as a	4M



substitute for its signature.

6

c)

Define E.O.Q. (1 M) Mention different methods of E.O.Q.(3 M)

4M

Economic Order Quantity: The correct quantity of the material to buy is the quantity at which the ordering cost and the inventory carrying cost will be minimum.

Methods for Determination of EOQ:

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

1) Tabular determination of EOQ

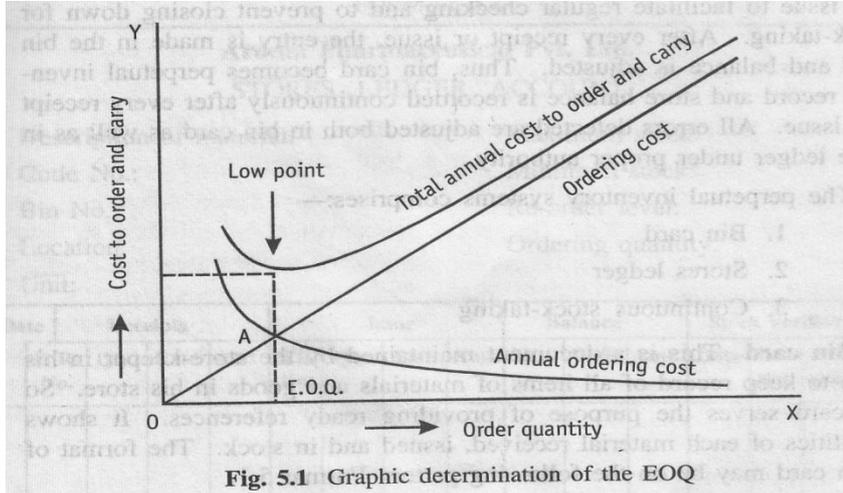
A tabular arrangement of data relating to items of materials helps in the determination of an approximate EOQ. This arrangement may help the company to find out the orders that need to be placed weekly, monthly or yearly

Sr.No.	Numbers of orders per year	Annual ordering cost	Annual Inventory Carrying cost	Total Annual cost
1	12	48	8.33	56.33
2	6	24	16.66	40.66
3	4	16	25.00	41.00
4	3	12	33.33	45.33
5	2	8	50.00	58.00
6	1	4	100	104.00

For eg. The order cost is Rs.4 per order. Inventory carrying cost is 10% of the rupee value of annual usage. Rupee value of the annual usage is Rs. 1000.

Hence EOQ is which has less total annual cost.

2) Graphic presentation of EOQ



This graph is plotted between order quantity and cost to order and carry, The ideal point where the sum of both the costs is minimum, i.e. the point A is EOQ.

3) Determination of EOQ by algebraic formula

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

Where a=Annual consumption

b=Buying cost per order

c=Cost per unit of material

s=Storage & other inventory carrying cost

6 d) Explain the various stages of purchase procedure.

1.Purchase Requisition:

When the existing stocks are depleted and come to a minimum, the stores incharge fills in the replenishment 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 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.

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		<p>A last date is given for the tenders to reach the purchase department.</p> <p>4.Placing the Order:</p> <p>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.</p> <p>5.Receiving and Checking the Material:</p> <p>The material sent by the supplier is received by the store keeper Each and every item is physically checked, Quantity verified and 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.</p> <p>6.Checking the Invoice or Bill:</p> <p>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.</p> <p>7. Recording of the Bills in Books:</p> <p>The bills are sent to Accounts Section where the bills are entered into Account books. Any errors in bills are immediately informed to higher authorities for necessary action.</p> <p>8. Releasing the Payment to the Supplier:</p> <p>According to terms and conditions of the supply order, the payment done by Accounts Section to the supplier</p>	
6	e)	<p>What are the book of original entry?(1M) Draw the format of journal (1M) & ledger.(1M) Explain petty cash book.(1M)</p> <p>Book of Original Entry –</p> <p>These are books for account in which a transaction is recorded for the first time from source document is called original entry.</p>	4M



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Format of Journal

Date	Particular	L.F.	Debit(Amount)	Credit(Amount)

Format of Ledger

Dr

Cr

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

Petty cash book

Large number of small payments, such as, for conveyance (bus, taxi), stationery, postage, telegrams, cartage and other miscellaneous expenses are made in any business organisation. If all these payments are handles 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 who makes all small payments and records them in his cash book which is called the petty cash book.

6

f)

From the information given below prepare Profit and Loss Account of M/S Prem Medicos for the year ending 31st December 2016.

4M

Dr

Cr

Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Salaries	5000	By Gross Profit b/d	8000
To Travelling expenses	500	By Interest received	350
To Stationary	500	By Discount received	200
To Advertisement	450	By Rent of shop	100
To Office rent	300	By Commission received	50
To discount	250		
To net profit transferred to capital account	1700		
Total	8700		8700



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