Chapter 22

2 marks

1. Give the meaning of Trade?
   Trade involves the transfer of goods or services from one person or entity to another, often in exchange for money. A system or network that allows trade is called a market.
2. What is Internal Trade?
   Buying and selling of goods and services within the boundaries of a nation are called internal trade.

3. Mr. Vikram who runs a textile industry regularly procures cotton from Germany. Name the type of trade he is engaged in. - **Import**
4. When Vikram of India sells cotton shirts to Amal of England, what type of trade he is engaged in? - **EXPORT**
5. How do you classify Trade?
(i) Internal trade
a. whole sale
b. retail
(ii) External trade
   a. Export
   b. Import
   c. entreport

6. What are the classifications of internal trade?
(i) Internal trade
a. whole sale
b. retail
7. What is import trade?
Import trade means buying goods from a foreign country for domestic use
8. Explain the meaning of Entrepot trade.
   - Entrepot trade means importing of goods from one country and exporting the same to foreign countries. It is also known as 'Reexport trade'.

9. TVS is selling motor bikes in Europe. Under which type of trade can this be classified?
   EXPORT
10. What is the currency used in India in internal trade?
   - It depends on the agreement between the buyer & seller of the goods & services
   - Crude Oil is primarily traded denominated in the U.S. Dollar. There are likely other goods & services similar.

3 marks

1. What is the classification of Foreign trade?
   a. Export - It means the sale of goods and services to a foreign country. In this trade the goods and services are sent outside the country.
   b. Import - It refers to purchase of goods and services from a foreign country.
   c. Entreport - Entrepot trade means importing of goods from one country and exporting the same to foreign countries. It is also known as 'Reexport trade'.
2. Give two examples of Entrepot trade.

a. Import raw diamonds from south Africa and re-export them to the International Diamond Market in Amsterdam.
b. An Indian company imports rubber from Thailand and exports it to Japan

3. What do you mean by Export trade?
   It means the sale of goods and services to a foreign country. In this trade the goods and services are sent outside the country.
4. What is Wholesale trade?
   "Purchase of goods in bulk from the manufacturers and selling them in smaller quantities to other intermediaries" is known wholesale trade.
5. State the meaning of Retail trade.
   Retail trade deals with the distribution of goods in small quantities to the consumers
6. Name any three retail traders in your locality
   Kannan departmental stores
   Senthil stores
   Rajeswari maligai

7. State the main aim of trade.
   - To earn profit

5 marks

1. What are the features of Internal trade?

a. The buying and selling of goods takes place within the boundaries of the same country.
b. Payment for goods and services is made in the currency of the home country.
c. It involves transactions between the producers, consumers and the middlemen.
d. It consists of a distribution network of middlemen and agencies engaged in exchange of goods and services.
e. In home trade the risk of transportation is very less when compared to the foreign trade.
f. In home trade the laws prevailing in that country only have to be followed.
g. The aim of home trade is to provide the goods and services economically.
h. The goods must be a part of domestic production.
i. Goods must be purchased from an individual or a firm established within a country.
J. Goods can be delivered using locally available modes of transport.
k. It does not involve any custom/import duty, but buyers need to pay the taxes to the Government.

2. Explain briefly the different types of Foreign trade?

a. Export
   - It means the sale of goods and services to a foreign country. In this trade the goods and services are sent outside the country.

b. Import
   - It refers to purchase of goods and services from a foreign country. Countries import goods which are not produced by them either because of cost disadvantage or because of physical difficulties or even those goods which are not produced in sufficient quantities so as to meet their requirements.

c. Entreport

- Entrepot trade means importing of goods from one country and exporting the same to foreign countries. It is also known as 'Reexport trade'
- Here, the goods are imported not for consumption or sale in the country but for re- exporting to a third country

Chapter 23 channels of distribution

1. Who is a middleman?

- The term 'Middlemen' refers to all those who are in the link between the primary producer and the ultimate consumer in the exchange of goods or service.

2. Define Wholesaler.
   According to Evelyn Thomas "*a true wholesaler is himself neither a manufacturer nor a retailer but act as a link between the two*".
3. Define Retailer.
   According to Cundiff and Still "*a retailer is a merchant or occasionally an agent whose main business is selling directly to the ultimate consumers*".
4. Who is a broker?
   A broker is a mercantile agent to whom goods are entrusted for sale by a principal and takes physical possession of the goods, but does not obtain ownership.
5. What are the classifications of the merchant middlemen?
   1. Wholesaler, 2. Retailer

6. Who are the mercantile agents?

- Mercantile Agents are also called functional middlemen.
- A businessman appoints a person to buy and sell goods on his behalf and gives him the right to borrow money on the security of goods.
- He is known as mercantile agent.
- He is not given ownership title of the goods.
- He is paid commission on his turnover.

3 marks

1. What do you understand by channels of distribution?
   According to *American Marketing Association*, "A channel of distribution is the structure of intra company organization units and extra company agents and deals wholesale and retail through which a commodity or product or service is marketed".
2. Who is a factor?

- A factor is a mercantile agent to whom goods are entrusted for sale by a principal.
- He takes physical possession of the goods, though he does not obtain ownership of the goods.
- A factor sells goods in his own name without revealing the name of his principal.

3. Explain the types of mercantile agents.
   i. Brokers
      - A Broker is one who bargains for another and receives commission for his service.

   ii. Factors
      - A factor is a mercantile agent to whom goods are entrusted for sale by a principal

   iii Commission Agents

- A commission agent buys and sells goods on behalf of the principal for a fixed rate of commission for all his transactions

iii. Del-credere Agents
- The agent who guarantees to the principal the collection of cash from credit sales is called del-credere agent'.

iv. Auctioneers
- Auctioneers are agents who sell goods by auction on behalf of their principals

v. Warehouse keepers
- A Warehouse keeper accepts goods for the purpose of storage in his warehouse. He should exercise reasonable care and diligence in the storage of goods.

4. Explain any three characteristics of wholesalers.

1. Wholesalers buy goods directly from producers or manufacturers,
2. Wholesalers buy goods in large quantities and sell in relatively smaller quantities,
3. Wholesalers sell different varieties of a particular variety of product

4. What are the services rendered by the wholesalers to the manufacturers?(any three)***

a. **Economies in Large Scale:**
   - A wholesaler buys goods in bulk and, thereby, enables the producers to produce goods on a large scale. Large scale production helps to reduce the cost of production per unit.

b. **Assistance in Distribution:**
   - Wholesalers collect orders from a large number of retailers scattered over a wide area and buy goods in bulk from producers. He enables producers to reach customers scattered over different parts of the country by distributing goods through retailers located in different areas. Therefore producer can concentrate only on production.

c. **Warehousing Facility:**
   A wholesaler holds large stock of goods in his private warehouse or in a rented warehouse. In this way he relieves the manufacturer from the function of warehousing.

d. **Forecasting of Demand:**
   - A wholesaler collects information from retailers about the nature and extent of demand and passes it onto the producers and enables them to produce goods according to the needs, tastes and fashions prevailing in the market.

e. **Publicity of Goods:**
   - Often wholesalers launch advertising campaign to boost the demand for the goods. Producers get the benefit of such publicity and thus enabled to spend less on advertising.

f. **Financial Assistance:**
   - A wholesaler often makes advance payments to producers. He buys the goods as soon as they are produced. Producers need not lock up their capital in maintaining huge stock of goods.

g. **Risk-bearer:**

- A wholesaler provides ready market to producers by placing advance orders and relieves the manufacturer from the risk of loss due to fluctuation in demand and storage of goods. He also reduces the risk by matching seasonal demand.

5 marks

1. What are the characteristics of retailers?

(i) A retailer is the link between a wholesaler and the ultimate consumer and he is the last intermediary in distribution.
(ii) A retailer buys goods from wholesaler in bulk and resells them to consumers in small quantities.
(iii) A retailer maintains a personal contact with his customers.
(iv) A retailer makes sufficient shop display of his wares to attract customers.

(v) Retailers perform all the marketing functions which a wholesaler performs and in addition emphasises on advertisement.

(vi) Retailers deal in a variety of merchandise and are often known as general merchants.

(vii) Usually retailers are classified into two major groups, viz., small scale retailers and large scale retailers.

(vii) Retailers aim at providing maximum satisfaction to their customers in limited area.

2. What are the functions of Wholesalers?

a. Collection of Goods:
- Wholesaler collects the goods from manufacturers or producers in bulk.

b. Storage of Goods:
- Wholesaler collects and stores them safely in warehouses, till they are sold out. Perishable goods like fruits, vegetables, etc. are stored in cold storage facility.

c. Distribution:
- Wholesaler sells goods to different retailers. Thus he performs the function of distribution.

d. Financing:
- Wholesalers provide financial support to producers and manufacturers by providing money in advance to them. He also sells goods to retailer on credit. Thus, at both ends wholesaler acts as a financier.

e. Risk Taking:
- Wholesaler buys finished goods from the producer and keeps them in the warehouses till the time they are sold and assumes the risk arising from price, spoilage of goods, and changes in demand.

h. What are functions of Retailers?

(i) Buying:

A retailer deals in a variety of merchandise and so he buys collects large number of goods his stocks from a variety of wholesalers. He selects the best from each store them and bears wholesaler and also pays the most economical price. He brings all the goods marketing risks, under one roof and then displays them in shop. Thus he performs the twin _ functions of buying and assembling of goods.

(ii) Storage:

After assembling the goods, the retailer stores them in his godown so that they are held as reserve stocks for the future. Storage of goods in ready stock is also necessary.

(iii) Selling:

The ultimate aim of every retailer is to sell the goods he buys. So he employs efficient methods of selling to dispose off his products at a faster rate so that he can increase his turnover in a period of time.

(iv) Risk-bearing:

The retailer bears the risk of physical damage of goods and also that of price fluctuations. Moreover, risk of fire, theft, deterioration and spoilage of goods has also to be borne by him. Changes in fashions, tastes and demand of his customers also have an adverse effect on his sales; nevertheless a retailer does not lose heart. He bears all these trade risks which come in his way during the normal course of business.

(v) Packing:

A retailer packs his goods in small packets and containers for his customers. Occasionally he may be required to grade the goods also.

(vi) Credit:

Often retailers grant credit to customers and also bear the risk of bad debts, which go along with credit sales.

(vii) Supply Information:

Retailers supply valuable market information to both wholesalers and customers.

(viii) Advertising:

Retailers display goods and spend on advertisement also.

i. Explain the services rendered by wholesalers to retailers.

1. **Financial Assistance:**
   - Wholesalers provide financial assistance to retailers by selling goods on credit. This is done by allowing credit to retailers purchasing goods from them and makes payment to them after receiving money from their customers. This helps retailers to manage their business with small amount of working capital.
2. **Meeting the Requirements:**
   - Due to limited capital and lack of space in his facility a retailer cannot hold large variety of products. The wholesaler removes this difficulty by selling goods as and when the retailer requires.
3. **Introduction of New Products:**
   - Wholesalers bring new products and their uses to the notice of retailers. Thus retailers get knowledge about innovated products and innovated features.
4. **Price Stability:**
   - Wholesalers reduce price fluctuations by adjusting supply and demand and save the retailers from loss arising from price fluctuations.
5. **Economy in Transport:**
   - A wholesaler often delivers goods at the door steps of retailers and save their time and cost of transport.

6. **Regular Supply:**
   - Wholesalers keep large stock of varieties of goods and provide a regular supply of goods as per the retailer's need. Retailers can purchase as much as they like, from time to time and need not maintain a large stock of goods.

5. What are the services rendered by retailers to wholesalers?

1. **Help in Distribution**
   - Retailers relieve the manufacturers and wholesalers of the burden of collecting and executing a large number of small orders from various consumers.
2. **Market Information**
   - Retailer supply valuable information to wholesalers about changes in tastes, preferences, fashion etc. of consumers
3. **Large Scale Operation**
   - The manufacturers and wholesalers are freed from the trouble of making individual sales to consumers in small quantities.
   - This enables them to operate on, at relatively large scale and thereby fully concentrate on their other activities

4. **Help in Promotion**
   - Retailers participate in the promotional activities carried by manufacturers and wholesalers such as short time offers, coupons, free gifts, sales contests, etc. Retailers help in promoting the sale of the products.
5. **Personal Attention**
   - The retailer is able to provide more personal attention to his customers than the wholesaler is, He gives special services on the spot when the articles require minor repairs.

6. Explain the services rendered to consumers by Retailers.

1. **Regular Supply of Goods:**
   - Retailers maintain a ready stock of various products of different manufacturers for sale to consumers. This enables the buyers to buy products as and when needed.
2. **New Products Information:**
   - The retailers provide important information about the new arrival of products through their personal. Selling efforts and effective display of products.
3. **Credit Facilities:**
   - Sometimes retailers provide credit facilities to their customers and enable them to increase their level of consumption.
4. **Wide Selection:**
   - Retailers generally keep stock of a variety of products of different manufacturers. This enables the consumers to make their choice out of a wide selection of goods.
5. **Miscellaneous Services**

1. Retailers provide free door delivery services to the customers.
2. They provide after sale service to customers.
3. They allow cash discounts on their sales.

7. What are the factors affecting a channel of distribution?

(A) Considerations Related to Product

When a manufacturer selects some channel of distribution he/she should take care of such factors which are related to the quality and nature of the product. They are as follows:

1. **Unit Value of the Product:**
   - When the product is very costly it is best to use small distribution channel
   - For less costly products long distribution channel is used
2. **Standardised or Customised Product**
   - Standardised products are those for which are pre-determined and there has no scope for alteration. For example: utensils of MILTON. To sell this long distribution channel is used.
   - On the other hand, customised products are those which are made according to the discretion of the consumer and also there is a scope for alteration, for example; furniture. For such products face-to-face interaction between the manufacturer and the consumer is essential. So for these Direct Sales is a good option.
3. **Perishability**

A manufacturer should choose minimum or no middlemen as channel of distribution for such an item or product which is of highly perishable nature. On the contrary, a long distribution channel can be selected for durable goods.

4. **Technical Nature**
   If a product is of a technical nature, then it is better to supply it directly to the consumer. This will help the user to know the necessary technicalities of the product.

(B) Considerations Related to Market

5. **Number of Buyers:**
   If the number of buyer is large then it is better to take the services of middlemen for the distribution of the goods. On the contrary, the distribution should be done by the manufacturer directly if the number of buyers is less.
6. **Types of Buyers**
   Buyers can be of two types: General Buyers and Industrial Buyers. If the more buyers of the product belong to general category then there can be more middlemen. But in case of industrial buyers there can be less middlemen.
7. **Buying Habits**
   A manufacturer should take the services of middlemen if his financial position does not permit him to sell goods on credit to those consumers who are in the habit of purchasing goods on credit.
8. **Buying Quantity:**
   It is useful for the manufacturer to rely on the services of middlemen if the goods are bought in smaller quantity.
9. **Size of Market**
   If the market area of the product is scattered fairly, then the producer must take the help of middlemen.

8. Explain any three characteristics of wholesalers.
   1. Wholesalers buy goods directly from producers or manufacturers,
   2. Wholesalers buy goods in large quantities and sell in relatively smaller quantities,
   3. Wholesalers sell different varieties of a particular variety of product
   4. They employ a number of agents or workers for distribution of products
   5. They need large amount of capital to be invested in his business,
   6. They generally provide credit facility to retailers,
   7. They also provide financial assistance to the producers or manufacturers
   8. In a city or town, they are normally located in one particular area of the market.

9. What are the services rendered by the wholesalers to the manufacturers?(any five)***

j. **Economies in Large Scale:**
   - A wholesaler buys goods in bulk and, thereby, enables the producers to produce goods on a large scale. Large scale production helps to reduce the cost of production per unit.

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p. **Risk-bearer:**
- A wholesaler provides ready market to producers by placing advance orders and relieves the manufacturer from the risk of loss due to fluctuation in demand and storage of goods. He also reduces the risk by matching seasonal demand.

Chapter 24 RETAILING

Two marks

1. What is Retailing?
   Retailing is the process of selling the goods and services directly to the ultimate consumers in small quantities
2. State the meaning of multiple shops.
   A number of identical retail shops with similar appearance normally deal in standardised and branded consumer products established in different localities owned and operated by manufacturers or intermediaries are called as Chain stores or Multiple shops.
3. Mention any two benefits of Vending machines.
   - Vending Machines are very easy to manage as nobody has to be there to sell any goods
   - Vending machines work 24 h day 365 days a year
4. What are specialty stores
   - Speciallity Stores deal in a particular type of product under one product line only.

- For example, Sweets shop specialised in Tirunelveli Halwa, Bengali Sweets, etc

3 marks

1. Explain the features of general stores.

- General Stores sell a wide variety of products under one roof, most commonly found in a local market and residential areas to satisfy the day-to-day needs of the customers residing in nearby localities.
- They remain open for long hours at convenient timings and often provide credit facilities to their regular customers.
- For example, a provision store deals in grocery, bread,butter, toothpaste, soaps, washing powder, soft drinks, confectionery, stationery, cosmetics, etc.

2. Give any four points of distinction between hire purchase system and instalment system of selling**.(*** it may be five marks)**

S.no	Basis	hire purchase system	instalment system of selling
1	Nature Of Contract	It is a hiring goods agreement.	It is an agreement of sale.
2	**Ownership**	Ownership of goods is transferred after the payment of final instalment.	Ownership of the goods passes to the buyer just signing the agreement.
3	**Right**	The buyer can not sell, destroy or transfer the goods.	The buyer can sell, destroy or mortgage or transfer as his/her wish
4	**Risk**	All the risks are borne by the vendor before the payment of final instalment.	All the risks are to be borne by the buyer from the date of agreement.
5	**Right Of Return**	The buyer can return the goods before making the final instalment.	The buyer can not return the goods to the seller
6	**Repair And Maintenance**	The liability of repair and maintenance lies with the seller provided that the buyer takes the utmost good care.	The buyer is responsible for repair and maintenance.
7	**Forfeiture Of Instalment Paid**	In case of default in payment of instalment, paid instalment will be forfeited and treated as hire charges	The act of forfeiture can not be activated.

3. Explain the characteristics of super markets.

1. Supermarkets are generally situated at the main shopping centres.
2. The goods kept on racks with clearly labelled price and quality tags in such stores,
3. The customers move into the store to pickup goods of their requirements, bring them to the cash counter, make payment and take home delivery.
4. The goods are sold on cash basis only. No credit facilities are made available.
5. Supermarkets are organised on departmental basis.
6. It requires huge investment.

3. What is meant by 'mail order retailing'?
   Mail order houses are the retail outlets that sell their merchandise through mail. There is generally no direct personal contact between the buyers and the sellers in this type of trading.

Five marks

1. State the features of Departmental stores.

i. Large Size:
A department is a large scale retail showroom requiring a large capital investment by forming a joint stock company managed by a board of directors. There is a Managing Director assisted by a general manager and several department managers.

ii. Wide Choice:
It acts as a universal provider of a wide range of products from low priced to very expensive goods (Pin to Car) to satisfy all the expected human needs under one roof.

iii. Departmentally organised
Goods offered for sale are classified into various departments. Each department specialises in one line of product and operates as a separate unit.

iv. Facilities provided:
It provides a number of facilities and services to the customers such as restaurant, rest rooms, recreation, packing, free home delivery, parking, etc.

v. Centralised purchasing
All the purchases are made centrally and directly from the manufacturers and operate separate warehouses whereas sales are decentralised in different departments.

[Or]

(i) Departmental stores are large-scale retail establishments.
(ii) They have a number of departments organised under one roof.
(iii) Each department specialises in a particular kind of trade
(iv) Their basic principle is that it is easier to sell more goods to the same customers by providing a large variety of goods than to sell the same kind of goods to many customers.
(v) Their aim is to provide quality goods and services to the customers. Restaurants, telephone facilities, recreational facilities, reading rooms etc. are also provided by them.
(vi) They are located in the important central places of the big cities.
(vii) A huge amount of capital is required to establish a departmental store.
(viii) To attract the customers they have to make an extensive use of advertising.
(ix) The running expenses of a departmental store are very high due to the various services rendered by them, high rents, advertising etc.
(x) Their control and management are centralised.

2. What is meant by Consumer Cooperative Store? Explain its merits in brief.
   Consumer Cooperative Store

- A consumer cooperative store is a retail unit owned and controlled by consumers.
- Any consumer can join the consumer cooperative store by buying its shares.
- Each member has only one vote irrespective of his shareholding.
- Members get dividend in proportion to their shares held in the cooperative store.
- Cooperative stores are run by the consumers themselves for their mutual benefits.

Merits

1. Consumers get goods of good quality
2. Goods are sold without adulteration
3. Goods are sold in correct measurement. Irregularities found in measurement of goods are avoided.
4. Middlemen are eliminated
5. Prices are comparatively cheaper
6. Regular supply of goods is assured.
7. No credit is allowed. So, there is no fear of bad debts.
8. Consumer cooperatives are located conveniently in residential areas, thus they are quite accessible.

3. Describe the role of chambers of commerce in promotion of internal trade.

- The Chamber of Commerce and Industry is an association of business and industrial houses like merchants, financiers, manufacturers, etc. in a locality, region, or state.
- The main objective of these associations is to promote and protect the interest and goals of Indian commerce and industry.
- These associations are non-profit making organisation and its members are institutional members.

FUNCTIONS

1. They act as national guardians of trade, commerce and industry.
2. They act as a catalyst in strengthening the internal trade of the country.
3. Interact with Government with regard to formulation and implementation of related policies.

CHAPTER 25 INTERNATIONAL BUSINESS

2 MARKS

1. What do you mean by international business?
   Roger Bennet defines, International business involves commercial activities that cross national frontiers
2. What is meant by Export Trade?
   It means the sale of goods and services to a foreign country. In this trade the goods and services are sent outside the country.
3. What is meant by Import Trade?
   It refers to purchase of goods and services from a foreign country. Countries import goods which are not produced by them either because of cost disadvantage or because of physical difficulties or even those goods which are not produced in sufficient quantities so as to meet their requirements.
4. What is meant by Entrepot Trade?
   Entrepot trade means importing of goods from one country and exporting the same to foreign countries. It is also known as 'Reexport trade'
   Here, the goods are imported not for consumption or sale in the country but for re-exporting to a third country
5. Give any two reasons for International Business.

i. **Unequal Distribution of Natural Resources**
ii. **Uneven Availability of Factors of Production.**

3 MARKS

1. Describe importance of the external trade to an economy

1) Greater Variety of Goods Available for Consumption
2) Efficient Allocation and Better Utilization of Resources:
3) Promotes Efficiency in Production
4) More Employment:
5) Consumption at Cheaper Cost
6) Reduces Trade Fluctuations
7) Utilization of Surplus Produce
8) Fosters Peace and Goodwill

2. What is the necessity for entrepot trade?

a. Sometimes due to some political factors two countries are not willing to maintain direct trade relationship. In this case entrepot trade will be of immense help.
b. There may be a sense of communication which gives rise to entrepot trade
c. Sometimes shipping difficulty arises due to prohibitive freight rates. In such a case, the problem can be solved by entrepot trade.
d. When banking facilities are absent direct trade between two countries are affected

e. Direct trade fails when both the countries have developed the attitude of suspicion and confidence.

3. What are the limitations of international business?

(i) **Political Dependence:** International trade often encourages subjugation and slavery. It impairs economic independence which endangers political dependence. For example, the Britishers came to India as traders and ultimately ruled over India for a very long time.

(ii) **Mis-utilisation of Natural Resources:** Excessive exports may exhaust the natural resources of a country in a shorter span of time than it would have been otherwise. This will cause economic downfall of the country in the long run.

(iii) **Import of Harmful Goods:** Import of spurious drugs, luxury articles, etc. adversely affects the economy and well-being of the people.

5 MARKS

1. List out the advantages of international trade **(*** Any five exam point of view)**

(i) **Optimal use of natural resources:** International trade helps each country to make optimum use of its natural resources. Each country can concentrate on production of those goods for which its resources are best suited. Wastage of resources is avoided.

(ii) **Availability of all types of goods:** It enables a country to obtain goods which it cannot produce or which it is not producing due to higher costs, by importing from other countries at lower costs

(iii) **Specialisation:** Foreign trade leads to specialisation and encourages production of different goods in different countries. Goods can be produced at a comparatively low cost due to advantages of division of labour.

(iv) **Stability in prices:** International trade irons out wild fluctuations in prices. It equalizes the prices of goods throughout the world (ignoring cost of transportation, etc.)

(v) **Exchange of technical know-how and establishment of new industries:** Underdeveloped countries can establish and develop new industries with the machinery, equipment and technical know-how imported from developed countries. This helps in the development of these countries and the economy of the world at large.

(vi) **Increase in efficiency:** Due to international competition, the producers in a country attempt to produce better quality goods and at the minimum possible cost. This increases the efficiency and benefits to the consumers all over the world.

(vii) **Development of the means of transport and communication:** International trade requires the best means of transport and communication. For the advantages of international trade, development in the means of transport and communication is also made possible.

(viii) **International co-operation and understanding:** The people of different countries come in contact with each other. Commercial intercourse amongst nations of the world encourages exchange of ideas and culture. It creates co-operation, understanding, cordial relations amongst various nations

(ix) **Ability to face natural calamities:** Natural calamities such as drought, floods, famine, earthquake etc., affect the production of a country adversely. Deficiency in the supply of goods at the time of such natural calamities can be met by imports from other countries.

(x) **Other advantages :** International trade helps in many other ways such as benefits to consumers, international peace and better standard of living.

2. Enumerate the disadvantages of international trade**(*** Any five exam point of view)**

A. Impediment in the Development of Home Industries: International trade has an adverse effect on the development of home industries. It poses a threat to the survival of infant industries at home. Due to foreign competition and unrestricted imports, the upcoming industries in the country may collapse.

B. Economic Dependence: The underdeveloped countries have to depend upon the developed ones for their economic development. Such reliance often leads to economic exploitation. For instance, most of the underdeveloped countries in Africa and Asia have been exploited by European countries.

C. **Political Dependence:** International trade often encourages subjugation and slavery. It impairs economic independence which endangers political dependence. For example, the Britishers came to India as traders and ultimately ruled over India for a very long time.

D. **Mis-utilisation of Natural Resources:** Excessive exports may exhaust the natural resources of a country in a shorter span of time than it would have been otherwise. This will cause economic downfall of the country in the long run.

E. **Import of Harmful Goods:** Import of spurious drugs, luxury articles, etc. adversely affects the economy and well-being of the people.

F. **Storage of Goods:** ometimes the essential commodities required in a country and in short supply are also exported to earn foreign exchange. This results in shortage of these goods at home and causes inflation. For example, India has been exporting sugar to earn foreign trade exchange; hence the exalting prices of sugar in the country.

G. **Danger to International Peace:** International trade gives an opportunity to foreign agents to settle down in the country which ultimately endangers its internal peace.

H. **World Wars:** International trade breeds rivalries amongst nations due to competition in the foreign markets. This may eventually lead to wars and disturb world peace.

I. **Hardships in times of War:** International trade promotes lopsided development of a country as only those goods which have comparative cost advantage are produced in a country. During wars or when good relations do not prevail between nations, many hardships may follow.

3. Distinguish between internal and international trade **(*** Any five/ seven exam point of view)**

	BASIS	INTERNAL/ Home TRADE	INTERNATIONAL/Foreign TRADE
1	MEANING	Home trade refers to the trade within the borders of the country.	Foreign Trade refers to the trade between two or more countries.
2	Exchange of Currencies	There is no exchange of currencies takes place in the Home trade because there is a same currency in the country.	Foreign Trade involves the exchange of currencies between the nations which are involved in the trade.
3	Restrictions on transfer of goods	Home trade usually doesn't have any restrictions on movement inside the country.	Foreign Trade is subjected to many restrictions on transfer to certain goods to certain countries.
4	Transportation costs	Home Trade generally has fewer transportation costs and risks to transfer the goods.	Foreign Trade involves very high transportation costs and risky situations to transfer goods from one country to another.
5	Transport Systems	Home Trade depends upon the network and internal transport systems like roads, railways, etc.	Foreign Trade depends upon the seaways and the airways between the countries involved in the trade.
6	Benefit to Country	Home trade leads to economic development and self-sufficiency of the country	Foreign Trade leads to the economic interdependence between the countries.
7	Approvals	The home trade involves fewer documentations and approvals from the government to transfer the goods.	Foreign Trade involves more documentations and approvals from government and it is a long process to get approvals from government.
8	Volume of Trade	The volume of the trade depends upon the population of the country, demand for the product, etc	Foreign Trade has many restrictions imposed on free entry of goods and many duties and taxes have to be paid to trade goods between countries.
9	Time Gap	Home trade usually have less time gap between the goods dispatched and goods received and payment received for the consignment.	Foreign Trade involves wide time gap between the goods dispatched from the home country and goods received by the other country.
10	Credit Problems	In the case of Home Trade, there are fewer credit problems between the sellers and buyers in the country.	Foreign trade involves special steps to find out the credit worthiness of the importer by the exporter of the goods.

CHAPTER 26 EXPORT AND IMPORT PROCEDURES

1. What is meant by Indent?

Order for goods (placed often through a local or foreign agent of a foreign supplier) under specified conditions of sale, the acceptance of which by the supplier (or the agent) constitutes a contract of sale.

2. Write any two export promotion institutions.

- **Export Promotion Council[EPC] -** Promotion and Development of certain export commodities
- **State Trading Corporation(STC) -** Promoting trade among different partners of the world

3. Mention the types of Indent.

- open indent,
- closed indent and
- confirmatory indent.

4. What is the Letter of credit?

An official letter from a bank allowing another bank in foreign country to pay an exporter on behalf of the importer.

SHORT ANSWER QUESTIONS

1. What are the contents of Indents?

Content of an Indent

a. Quantity of goods sent
b. Design of goods
c. Price
d. Nature of packing shipment
e. Mode of shipment
f. Period of delivery
g. Mode of payment

2. What is meaning of consular invoice?

- An invoice covering a shipment of goods certified by the consul of the country for which the merchandise is destined.
- The invoice is used by customs officials of the country to verify the value, quantity, and nature of the merchandise imported to determine the import duty.
- In addition, the export price may be examined in the light of the current market price in the exporter´s country to ensure that dumping is not taking place.

3. What is meant Charter Party?

A charter party is a formal agreement between ship owner and the exporter under which exporter hires an entire ship or a major part of ship either for a particular voyage or for a specific time period when the shipping is heavy.

4. Write a short note on Mate’s receipt?

- Mate’s Receipt is the document issued by the captain of the ship acknowledging the receipt of goods on board by him to the port of specified destination.
- This contains details like quantity of goods shipped, number of packages condition for packing. etc.,
- Where the Mate is satisfied with packing he/she issues clean receipt.
- If he/she is not satisfied with packing, he/she issues foul receipt.

5. What is Bill of Lading?

Bill of Lading, refers to a document signed by ship owner or to his agent mentioning that goods specified have been received and it would be delivered to the importer or his agent at the port of destination if good condition subject to terms and conditions mentioned therein

IV. Long Answer Questions

1. What are the procedures relating to Export trade?
   Basic Export Procedures
   1. **Market Research and Setting Objectives of Distribution**:
      Selecting target markets, methods of exportation and channels, setting foreign market objectives on pricing and terms
   2. **Trade Regulations:**
      Export regulations and requirements
      Overseas import regulations and requirements
      Patent, trademark and copyright
   3. **Making Contacts**:
      Investigations from interested overseas buyers
      Checking buyer's background from ECIC and / or banks
   4. **Quotation and Terms**:
      Making offers and quotation for potential buyers
      Costs, quotations and pro forma invoices, and terms of sale
   5. **Sales Contract:**
      the sales contract and terms of transaction such as payment terms.
   6. **Contract Execution**:
      Producing or sourcing goods
      Packing and labelling
      Arranging shipment
      Preparing exports documentation
      Arranging insurance, if necessary
   7. **Customs Clearance:**
      Arranging export declaration and applying for export licence when necessary.
   8. **Getting paid: -**
      Subject to the payment terms specified in the sales contract, the exporter should present the required documents to the relevant parties for payment
2. Distinguish between Bill of Lading and Charter Party

	BASIS	BILL OF LADING	CHARTER PARTY
1	Contract And Evidence	Charter party is a contract between the ship owner and shipper about hiring the ship.	Bill of lading is an evidence of receiving the goods.
2	Transferable	Charter party is not transferable.	A bill of lading can be transferred by endorsement and delivery.
3	Title To The Goods	Charter party is not a document which declares the title of the goods.	A bill of lading is a document which declares the title to the goods specified.

4	Drawn In Sets	A charter party is not drawn in sets.	A bill of lading is drawn in these sets
5	Leasing Of Ship	A charter party may be for amount to a lease of the ship.	Such type of intention is not conveyed in the bill of lading.
6	Particular Destination	A charter party may be for the particular voyage.	A bill of lading is related with the particular destination
7	Case Of Freight	In case of charter party the freight is usually paid when the ship reaches to the port.	The freight is to be paid in advance, in case of bill of lading.

3. What are the documents used in Export Trade?

(a) Export invoice: Export invoice is a seller's bill for merchandise. It is a basic document in export transaction. The invoice contains information about the description of goods, value of goods, terms of shipment, marks and numbers of packages, etc. It also contains date, name and address of both buyer and seller, name of shipping vessel, port of destination, terms of delivery and payments, etc

(b) Packing List: A packing list is a consolidated statement of the contents of a number of cases or packs. It gives a detail of the nature of goods which are being exported and the form in which these are sent. The description is given in such a manner as to permit checks of the contents by the customs on arrival at the port of destination as well as by the recipient.

(c) Certificate of Origin: A certificate of origin, as the name indicates, is a certificate which specifies the country of the production of goods. The customs law of a country may require this certificate before clearance of goods and assessment of duty

(d) Mate's Receipt: When the cargo is loaded on the ship, the Commanding Officer of the ship issues a receipt known as mate's receipt. The mate's receipt indicates name of the vessel, berth, date of shipment, description of packages, marks and numbers, condition of the cargo at the time of its receipt etc. The port of loading and discharge is also given in this receipt.

(e) Bill of Lading: A bill of lading is a document issued by the shipping company acknowledging the receipt of goods mentioned therein and undertaking to deliver them in the like order and condition, as received, to the consignee or his order.

(f) Shipping Bill: It is a document on the basis of which customs permission for exports is given. The shipping bill contains contents such as name and address of the exporter and consignee, invoice number and date, import, export code number, RBI code number, particulars of goods exported, name of the vessel, port at which goods are to be discharged, number and kind of packets, quantity and value of goods.

(g) Cart Ticket: Cart ticket is prepared by the exporter giving details of the cargo to be exported. It has the name of the ship, number of packages, shipping bill number, port of destination and the number of vehicle carrying the cargo.

(h) Airway Bill: It is a receipt issued by an airline for the carriage of goods. Every airline issues its own bill for receiving the goods. Airway bill is non-transferrable so it does not carry the same validity as a bill of lading in sea transport.

(i) Letter of Credit: A letter of credit popularly known as L/C is an undertaking by its issuer (usually importer's bank) that the bills of exchange drawn by the foreign dealer on the importer will be honoured on presentation for specified amount. L/ C is simply a guarantee by the bank to the foreign dealer (exporter) that their bills upto a specified amount would be honoured.

(j) Certificate of Inspection: To ensure proper quality of goods, exportable goods are inspected before being despatched for export. Export Inspection Council of India (EIC) issues such certificate in India. Some countries have made this certificate compulsory for goods being imported.

4. Explain the various functions of Export Trading Houses.

Trading House

Trading house are service companies. They do not manufacture anything and must, therefore, justify their intervention by the value added that their service can bring to an international transaction.

For manufacturer, the type of market he is prospecting will determine if a trading house is useful to him

Functions of Export Trading Houses

1) To identify a potential market for a given product
2) To find buyers or agents and to elicit their interest
3) To establish the product specifications in the light of market needs, standards and regulations and in accordance with the supplier's capabilities
4) To determine the appropriate mode of transportation and the routing , with regard to cost, quality of service and security

5) To price the goods for delivery at destination
6) To determine the buyer's credit worthiness
7) To negotiate the transaction
8) To execute all the logistics steps which are necessary to receive and deliver the merchandise
9) To obtain, if necessary, proper coverage for maritime risks and currency fluctuations
10) To prepare the documentation as prescribed in matters of international trade
11) To finance the transaction and pay for the goods and services received
12) To collect payment for goods delivered
13) To respond to and settle claims

CHAPTER 27 FACILITATORS OF INTERNATIONAL BUSINESS

Very Short Answer Questions.

1. What is WTO?

- The World Trade Organization (WTO) is an intergovernmental organization that regulates international trade.
- The WTO officially commenced on 1 January 1995 under the Marrakesh Agreement, signed by 124 nations on 15 April 1994, replacing the General Agreement on Tariffs and Trade (GATT), which commenced in 1948.
- It is the largest international economic organization in the world.

2. What do you mean by World Bank?

- The World Bank is an international financial institution that provides loansto countries of the world for capital projects.
- It comprises two institutions: the International Bank for Reconstruction and Development (IBRD), and the International Development Association (IDA).
- The World Bank is a component of the World Bank Group.

3. What is Special Drawing Rights?

Special drawing rights (SDR) refer to an international type of monetary reserve currency created by the International Monetary Fund (IMF) in 1969 that operates as a supplement to the existing money reserves of member countries. Created in response to concerns about the limitations of gold and dollars as the sole means of settling international accounts, SDRs augment international liquidity by supplementing the standard reserve currencies.

4. What is SAARC?

    - The South Asian Association for Regional Cooperation (SAARC) is the regional intergovernmental organization and geopolitical union of nations in South Asia.
    - Its member states include Afghanistan, Bangladesh, Bhutan, India, Nepal, the Maldives, Pakistan and Sri Lanka

- SAARC was founded in Dhaka on 8 December 1985
- Its secretariat is based in Kathmandu, Nepal.
- The organization promotes development of economic and regional integration.
- It launched the South Asian Free Trade Area in 2006.
- SAARC maintains permanent diplomatic relations at the United Nations as an observer and has developed links with multilateral entities, including the European Union.

5. What is GATT?
   - General Agreement on Tariffs and Trade (GATT) was a legal agreement between many countries, whose overall purpose was to promote international trade by reducing or eliminating trade barriers such as tariffs or quotas.
   - GATT was signed by 23 nations in Geneva on 30 October 1947, and took effect on 1 January 1948. It remained in effect until the signature by 123 nations in Marrakesh on 14 April 1994, of the Uruguay Round Agreements, which established the World Trade Organization (WTO) on 1 January 1995

Short Answer Questions

1. What is the primary motive of establishment of WTO?
   - The purpose of the WTO is to ensure global trade commences smoothly, freely and predictably
   - WTO creates and embodies the ground rules for global trade among member nations, offering a system for international commerce.
   - The WTO aims to create economic peace and stability in the world through a multilateral system based on consenting member states

2. Name the affiliate of World Bank
   (i) International Bank for Reconstruction and Development (IBRD)
   (ii) International Finance Corporation (IFC)
   (iii) International Development Association (IDA)
   (iv) Multilateral Investment Guarantee Agency (MIGA)
   (v) International Centre for Settlement of Investment Disputes (ICSID)

3. What are the criticisms of World Bank?

1. **Transparency:** It doesn't reveal on a deal to deal basis at what interest rate is it lending. To which countries is it lending cheap. Why some countries are favourd over the other
2. **Control**: It’s fair to say the developed world control the world Bank. In a way it should be like that because most of the money do comes from developed world, but, its this money that is used by developed world to get bargains with the money borrowers
3. **Enforcer/Manipulator**: After making the borrower addicted and dependent on its money, world bank interfere with government projects

4. How is the value of SDR determined currently?.
- The currency value of the SDR is determined by summing the values in U.S. dollars, based on market exchange rates, of a basket of major currencies (the U.S. dollar, Euro, Japanese yen, pound sterling and the Chinese renminbi).
- The SDR currency value is calculated daily (except on IMF holidays or whenever the IMF is closed for business) and
- the valuation basket is reviewed and adjusted every five years.

Reference/ knowing purpose for below table

Friday, August 31, 2018				
Currency Unit	Currency amount under Rule O-1	Exchange rate [1]	U.S. dollar equivalent	Percent change in exchange rate against U.S. dollar from previous calculation
Chinese yuan	1.0174	6.85475	0.148423	-0.290
Euro	0.38671	1.16685	0.451233	-0.252
Japanese yen	11.900	110.76500	0.107435	0.722
U.K. pound	0.085946	1.30055	0.111777	-0.085
U.S. dollar	0.58252	1.00000	0.582520	
			1.401388	
		U.S.$1.00 = SDR	0.713578 [2]	0.064 [3]
		SDR1 = US$	1.401390 [4]	

4. Mention the functions of SAARC.

1. Monitoring and co-ordinating the development programme
2. Determining inter-sectoral priorities
3. Mobilizing cooperation within and outside the region.
4. Dealing with modalities of financing

Long Answer Questions.

1. Point out the objectives of WTO

1. Improving the standard of living of people in member countries
2. Making optimum utilization of world's resources for sustainable development of member countries.
3. Promoting an integrated more viable and durable trading system in the sphere of international business
4. Expansion of trade in goods and services
5. Ensuring full employment and large steady growth volume of real income and effective demand
6. Protecting the environment

2. Write down the functions of WTO.

1. It is a forum for negotiation and formalization of trade agreement among the member countries.
2. It settles disputes and grievances relating to trade among the member countries.
3. It frames commonly acceptable code of conduct in order to reduce trade barriers.
4. It holds consultations with IMF and World Bank(IBRD) and its affiliates to bring about a greater understanding and co-operation in global economic policy making.
5. It supervises the operations of agreement relating to General Agreement on Tariffs and Trade(GATT) and Trade-Related Intellectual Properties Rights (TRIPS)
6. It regulates trade between participating countries.

3. Describe the benefits of WTO

1. WTO is promoting international peace and creating a conducive environment for conducting international trade
2. It settles the trade disputes amicably among the member countries.
3. It promotes the standard of living of people by increasing their income level from free trades
4. WTO has removed quantitative restrictions and non-tariff barriers. It has facilitated free flow of foreign trade among the member countries. The countries can impose import restrictions only to correct balance of payments difficulties and not otherwise.
5. It stimulates economic growth of developing countries by providing them with much needed capital and giving them preferential treatment in trade related matters
6. WTO organizes periodical regional and international conference. Thus developing countries get opportunity to learn the technicalities, rules and regulations governing world trade, technical assistance available globally, trade potentials in member countries and so on.
7. WTO gives people across the world a wider choice of goods and broader range of qualities of goods to choose from by promoting free trade among the member countries.
8. WTO has lowered trade barriers and thereby allowed trade to flourish across the world. The increase in trade contributes to increase in national income and personal income of people
9. WTO provides a platform for member countries to establish trade links with one another. In the absence of WTO member countries may have to enter many multilateral agreement with so many countries across the world. It provides a greater access to all nations under one roof.
10. WTO is committed to protecting free trade. It has framed rules on subsidies and dumping.

4. Highlights the functions of IBRD

1. Assisting reconstruction of war-affected countries
2. Promoting economic growth and balanced growth of international business
3. Promoting infrastructural facilities like energy and transportation, road development, etc. in member countries.
4. Encouraging agricultural and industrial development in developing countries by providing adequate resources
5. Providing resources for promoting sanitation, education, health care and small scale enterprises in member countries

6. Improving standard of living of people of member countries by providing assistance by removing poverty, raising productivity, providing technical support and conducting research and development

5. Write down the functions of IMF

1. It acts as short term credit institution at the international level.
2. It provides machinery for ordinary adjustments of exchange rates.
3. It has a reservoir of currencies of the member countries from which a borrower can borrow currencies of other nations.
4. It promotes economic stability and global growth by encouraging countries adopt sound economic and financial policies.
5. It offers technical assistance and training to help member countries strengthen and implement effective policies. Technical assistance is offered in formulating banking, fiscal, monetary and exchange policies.
6. It helps member countries correct their imbalance in balance of payment.

6. Explain how far India has benefited from IMF

Free Convertibility of Indian Rupee

Indian rupee has become independent after the establishment of IMF. Earlier it was linked with pound sterling. Its value is now determined in terms of Gold. Hence it is freely convertible.

Loan For Development Activities

India got several loan facilities from IMF for its several development projects.

Ability To Purchase Foreign Currency

Government of India is able to purchase foreign currencies from time to time to meet the ever growing requirement of development activities.

Expert Advice

India used to get expert advice from IMF for solving the economic problems. It has given valuable advice to India with regard to financing its 5 year plan.

Timely Help

India has received timely help from IMF many a time to eliminate the deficit in its balance of payments. India got help from IMF during 1966 in the aftermath of war with Pakistan. It received assistance from IMF for combating oil shock. Between 1980 and 1983 India got assistance from IMF to manage global economic recession.

Financial Assistance during Natural Calamity

India has got a lot of financial assistance from IMF to solve the economic crises arising from natural calamities like, floods, famine, earthquake, aggressions of Chinese and Pakistan etc. It gets technical assistance from IMF.

Membership in World Bank

By virtue of its membership in IMF India could become member in the World Bank.

7. Help During 1991 Economic Crisis

During 1990, India faced serious economic crisis. Indian Government was almost nearing bankruptcy. It got assistance from IMF by pledging its gold reserve with it to solve its balance of payments crisis.

CHAPTER 28 BALANCE OF TRADE AND BALANCE OF PAYMENTS

Very Short Answer Questions

1. What do you mean by Balance of payments?
   It is a systematic record of all economic transactions happened between the resident of one country and resident of foreign countries during a particular period
2. What do you mean by Balance of trade?
   - Balance of trade is statement showing the net effect of export and import of a country
   - It records only transactions relating to merchandise , i.e. goods transactions
3. Define Balance of payments
   According to International Monetary Fund, " The balance of payments for given period is a systematic records of all economic transactions taken place during the period between residents of the reporting countries."
4. What is the composition of private capital?
   Private capital consists of foreign investments, long term loan and foreign currency deposits
5. Mention the components of banking capital.
   Banking capital includes movement into external financial asset and liabilities commercial and co-operative banks authorized to dealing in foreign exchange
6. Mention the components of official capital.
   It includes RBI's holdings of foreign currency and special drawing rights (SDR) held by the Government

Short Answer Questions

1. Why is Balance of payment prepared?

- Balance of payment is the principal tool for analyzing the monetary position of international trade of a country
- Balance of payments help in framing monetary, fiscal and trade policies of country.

2. What does Balance of payment disclose?
   BOP shows a favourable or surplus position when the total receipts from foreign countries exceed the total payments to foreign countries. When the receipts from foreign countries are less than the payments to foreign countries, BOP is said to be unfavorable or in deficit
3. What are the credit items shown in currents accounts?
   1. Goods Export(visible)
   2. Invisible Exports
      a. Transport service sold abroad
      b. Banking service sold abroad
      c. Insurance service sold abroad
      d. Income received on loan and investment made in foreign countries
      e. Expenses incurred by foreign tourists in India
   4. State the components of capital account.
      1. Private Capital
      2. Banking Capital
      3. Official Capital

Long Answer Questions

1. Write down the structure of capital account

Capital account consists of three components
1. Private Capital
2. Banking Capital
3. Official Capital

1. Private Capital
Private capital consists of foreign investments, long term loan and foreign currency deposits

2. Banking Capital
Banking capital includes movement into external financial asset and liabilities commercial and co-operative banks authorized to dealing in foreign exchange

3. Official Capital
It includes RBI's holdings of foreign currency and special drawing rights (SDR) held by the Government

2. Distinguish balance of payment and balance of trade

	Nature	Balance of payment	Balance of trade
1	Meaning	It is a systematic record of all economic transactions happened between the resident of one country and resident of foreign countries during a particular period	Balance of trade is statement showing the net effect of export and import of a country
2	Nature of Transactions recorded	It records both the transactions relating to goods and services	It records only transactions relating to merchandise , i.e. goods transactions
3	Capital Transactions	It records capital transactions	It does not record capital Transactions
4	Structure	It includes balance of trade. balance of services, balance of unilateral transfer and balance of capital transactions	It is part of current account of BOP
5	Net Position	It always remains balanced in the sense that receipt side is made equal to payment side	It may be at favorable or unfavourable or in equilibrium state.
6	Indicator Economic Status	It is true indicator of economic performance of an economy	It is not true indicator of economic prosperity or economic relations of country.
7	Correcting Unfavourableness	Unfavourable balance of payment leads to deficit in balance of payment situation.	Unfavourable balance of trade can be converted into favorable balance of payment

3. Highlight the features of balance of trade.

Features of Balance of Trade:

1. **Exports and Imports:** The elements of the balance of trade are exports and imports. Export of goods means movement of goods from domestic country to foreign country. The vis-a-vis is known as Imports.
2. **Visible Goods:** Balance of trade constitutes imports and exports of goods. The important features of the goods are that it must be visible, have physical structure, size, shape and form. The goods must be seen and touched, counted, measured and weighed.
3. **Material Goods:** Goods constitute our imports and exports must be material. It means that non- material goods and services will not constitute imports and exports.