



WINTER-15 EXAMINATION

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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.1 Solve any **EIGHT** of the following.

a) State the limitations of budgetary control. (0.5 for each limitations)

- The budget plan is based on estimates.
- A budgetary programme must be continuously adopted to fit changing circumstances.

Normally it takes several years to attain a reasonably good system of budgetary control.

- Sometimes it is assumed that the introduction of budget programme is alone sufficient to ensure its success. All levels of management however participate in the programme of the realisation of budgetary goals.
- It does not take the place of management.
- It has been seen that often operating a budget becomes so costly that small concerns cannot afford to adopt it.

b) What is a cash book? List various types of cash book. . (Definition 1 mark, Types of cash book 1 mark)

Definition: Cash book is used to keep a record of all transactions related to cash receipt and cash payment. Cash book is also a book of original entries because the transactions are recorded from the source document for the first time. When a cash book is maintained, transaction of cash is not recorded in the journal.

Types of cash book.

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



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c) State how inventory carrying cost of business can be reduced.

Inventory carrying cost includes

- Rent on storage
- Cost of insurance and taxes
- Salaries of the store keeper
- Losses in store due to pilferage, wastage breakage etc.

To reduce the inventory carrying cost the above factors has to be considered and necessary action has to be taken so as to minimize the above cost

d) Define the term : (1mark for each)

i) Contract :

It is also called purchase order or supply order. It is a mutual agreement between the supplier & buyer. This agreement is called contract. It serves as basis for legal obligation to supply or accept a specific product.

ii) Safety stock:

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



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e) What is Retailer ? State different types of pharmaceutical retailers.

(Definition 1 mark, Types 1 mark.)

Definition: Retailer is a middlemen between the a wholesaler and actual consumers

Types of pharmaceutical retailers

- Pharma chains like Apollo Pharmacy
- Unknown & Small retail outlets

f) Enlist the documents enclosed with form no. 19 for obtaining the drug licence (.0.5 mks for each point)

- 1) Duplicate on Form 19 of the D & C rules 1945.one copy for biological & other for non-biological drugs.
- 2) A fee of Rs 1500 per licence to be deposited in the SBI or Govt. Treasury
 - An attested copy of D.Pharm from institute recognized by PCI.
 - An attested copy of registration certificate by state pharmacy council.
 - An attested copy of SSC certificate.
 - Affidavit from a person if he is an employee.
- 3) An affidavit on non judicial stamp paper attested by first class magistrate by each partner in case of partnership firm, or by the proprietor himself in case proprietorship concern.
- 4) Rent receipt in case or rented premises or affidavit from an owner.
- 5) A copy of partnership deed in case of partnership.
- 6) Receipt of purchase of refrigerator.
- 7) Plan of a premise.



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g) Define Tender. Write the types of tender used in the market.

(Definition 1 mark, Types 1 mark.)

Definition: It is a written offer to do some specified work or to provide required materials at given price within prescribed period under specified condition.

Types of tenders:

- 1) Open tenders
- 2) Limited tenders
- 3) Single tenders
- 4) Oral tenders
- 5) Global tenders

h) State the difference between overdraft and cash credit facility offered by the bank.(1 point= 1mark.)

Overdraft facility	Cash credit facility
A customer is allowed to draw cheque even if there is no balance amount in his account. i.e. overdraw. But there is fixed limit beyond which he cannot overdraw	Under this scheme a bank fixes a limit up to which a customer can borrow money against some security.
The customers pay interest at a specific rate on the amt. which he overdraws	The interest is charged on the outstanding amt.in cash credit account

i) State types of accounts with suitable examples.(1 mark for types ,1 mark for examples)

1) Personal accounts: e.g. an account of Mr. Ram Gopal, M/S Deep Medical Hall, Glaxo (India) Ltd., M.D. University.

2) Real accounts: Transactions related to building, cash, furniture, land, machinery, stock etc.



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3) Nominal accounts: the accounts are maintained to deal with discounts, insurance, rent, wages, salaries, cost of stationery items etc.

j) State why Profit & Loss A/C prepared (1 mark for 1 reason)

- 1) The main purpose for which a profit & loss account prepared is to ascertain net profit or net loss from business operations.
- 2) The net income of the current year can be compared with that of previous years & deviations in income of different periods may be analysed to ascertain the factors responsible for such deviations.
- 3) This is helpful in controlling expenses incurred in running the business enterprise and in sale of goods and thus eliminating wastage.

k) Classify different types of business organisations with example of each class.

(1 mark for types, 1 mark for any example can be given for type of business organization)

Various Types of business organisations.

- Sole proprietorship – Ex. Small scale retail shop
- Partnership Ex. Large scale retail shop.
- Joint Stock company Ex. Cipla Pharma, Sun pharma, Ranbaxy etc.
- Cooperative society Ex. Swadesh, Sahakari Bhandar



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1) Write the difference between Departmental store & Multiple Shop.(0.5 marks for any 4 points)

Departmental store	Multiple Shop
Wide variety of products are available	Particular type of product are available
No uniform pricing system	Uniform pricing in all the branches
Control over the activity is easier.	Control is difficult
No uniformity in decoration	uniformity in decoration
They provide no. of services & amenities	No other services to the customer
Sell of goods in cash & credit	Sell is only on cash basis
Stores mainly for rich people	For general public
Located in the centre of the city.	Located in various localities of city.

Q. 2 Solve any **FOUR** of the following.

a) What is ABC technique of analyzing the inventory? Write its advantages.(2 marks for description, 1 mark for advantages)

(Always Better Control)

- This technique is used generally in big stores where large inventory items are stored.
- The products are divided into three groups A,B & C., according to the cost of the material & money value of consumption.



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A items	B items	C items
it covers 10% of the total inventories.	it covers 20% of the total inventories	it covers 70% of the total inventories
it consumes about 70% of total budget.	it consumes about 20% of total budget.	it consumes about 10% of total budget.
it requires very strict control	it requires moderate control.	it requires loose control.
it requires either no safety stocks or low safety stocks.	it requires low safety stocks	it requires high safety stocks
it needs maximum follow up	it needs periodic follow up	it needs close follow up
it must be handled by senior officers	it can be handled by middle management	it can be handled by any official of the management

Advantages of ABC control

- 1) The investment in inventory can be regulated & funds can be utilized in the best manner.
- 2) Closer & strict control on valuable items is possible.
- 3) It helps to maintain enough safety stock of C items.
- 4) This type of control helps in the maintenance of high stock turn over.

b) Give common methods of drug codification State their advantage and disadvantages.

Methods: (1mark)

- Alphabetical method
- Mnemonic method
- Numerical method
- Combination system

Advantages : (1mark)

- Ambiguity in description is avoided
- The length in description is minimized.



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- The codes ensures secrecy of items lying in the store.
- Each stored items is easily identified

Disadvantages: (1mark)

- It is not useful when stores consists of small number of items.
- Items cannot be identified without referring code index book.
- Well qualified staff is required to maintain proper codification.

c) State the different aids to trade. (0.5 mark for each)

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

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

• **Insurance:** Despite efficient transportation and packaging there may be loss of goods.

This may be overcome by providing insurance cover of the goods during transportation and storage. Various types of insurances are fire, marine and general.

• **Warehousing** Goods are prepared before demand, so proper storage is required.

Warehousing facilities solve this problem

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

• **Advertising and publicity** Advertising and publicity agencies overcomes Hindrance of

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

d) Differentiate between private company and public company.(0.5 x 6 points = 3 Marks)



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Private company	Public company
1) For membership minimum no. is 2 & maximum no. is 50.	1) Minimum no. is 7, no limit for maximum members.
2) Procedure for formation is simple & easy.	2) Procedure for formation is complicated & costly.
3) Transferability of shares is restricted.	3) Shares are freely transferable.
4) Name must end with word "Private Ltd."	4) Name must end with word "Limited".
5) Raising capital from public not allowed	5) Capital can be raised from public
6) Commencement of business is after getting certificate of incorporation.	6) Commencement of business is after getting certificate of Business.
7) No. of directors minimum two & maximum no limit.	7) No. of directors minimum three & maximum fixed articles.
8) Secrecy is maintained within the members.	8) Secrets are exposed to public.

e) Write the sources of finance required to fulfill working capital of business. (0.5 x 6 points = 3 Marks)

i) **Issue of shares:** The capital required by the business is divided into large number of equal parts and each part is considered as a share

Two types of shares i) preference share

ii) Ordinary shares

(ii) **Issue of debentures:** A debenture is a document or certificate issued by the company acknowledging loan and also gives an undertaking to repay the specified borrowed sum along with interest to debenture holder on a prescribed date.



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(iii) **Ploughing back its own profit:** It means reinvest the profit in the business.

(iv) **Public deposit:** Generally money is borrowed for 1 to 3 years and the rate of interest on borrowed sum depends upon the length of period of deposit. The rate of interest is paid periodically or at maturity along with the amount of deposit.

(v) **Commercial Bank:** A bank which accepts demand deposit and allows withdrawal of money by cheques or by any other means is a commercial bank.

vi) **Specialised financial institution:** There are various institutions which provide long term finance and medium term finance to industrial concerns.

f) State how will you select the site for retail drug store. (0.5 mark for each point)

The Following factors should be considered while selecting the site for starting a new drug store

1. **Business Locality:** Large number of people visits the market place to purchase the thing of their requirement
2. **Residential Area:** People prefer to buy the required medicines during their evening walk
3. **Developing area:** In cities new localities are coming up very fast so it's a ideal place to start a new drug store.
4. **Hospital:** Prescription of the same hospital gives good business
5. **Flow of traffic:** Avoid location near traffic signals and fast moving traffic areas
6. **Parking:** There should be enough parking space outside the drug store
7. **Drug store:** Avoid the site near already existing drug store as it may lead to competition



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3. Solve any FOUR of the following

(12)

a. Write the functions of Management. (0.5 mark for each function)

Ans. 1) **Planning:** Planning is the process of deciding in advance what to do, how to do it, when to do it and who is to do it. It aims at achieving the desired results. It helps to do things in an orderly manner and proper utilization of resources.

2) **Organizing:** It is the implementation of plans by giving responsibilities to the peoples of organization to perform various activities such as purchasing, production, quality control, distribution etc.

It involves the following steps:

Identifying the activities, grouping the activities, assigning the duties, delegating authorities etc.

3) **Staffing:** A right person should be selected for right job to get maximum output to target work done.

4) **Directing:** Management is the art & process of getting things done. The manager have the responsibilities of supervising their sub-ordinates by giving proper instruction & checking the performance etc.

5) **Co-ordination:** In the management of organization objectives are laid down which can ultimately be fulfilled by co-ordination with various departments.

6) **Controlling:** means the steps taken to ensure that the performance of the organization conforms to the plans. There should be an adequate control, so that predetermined planned objectives are achieved.

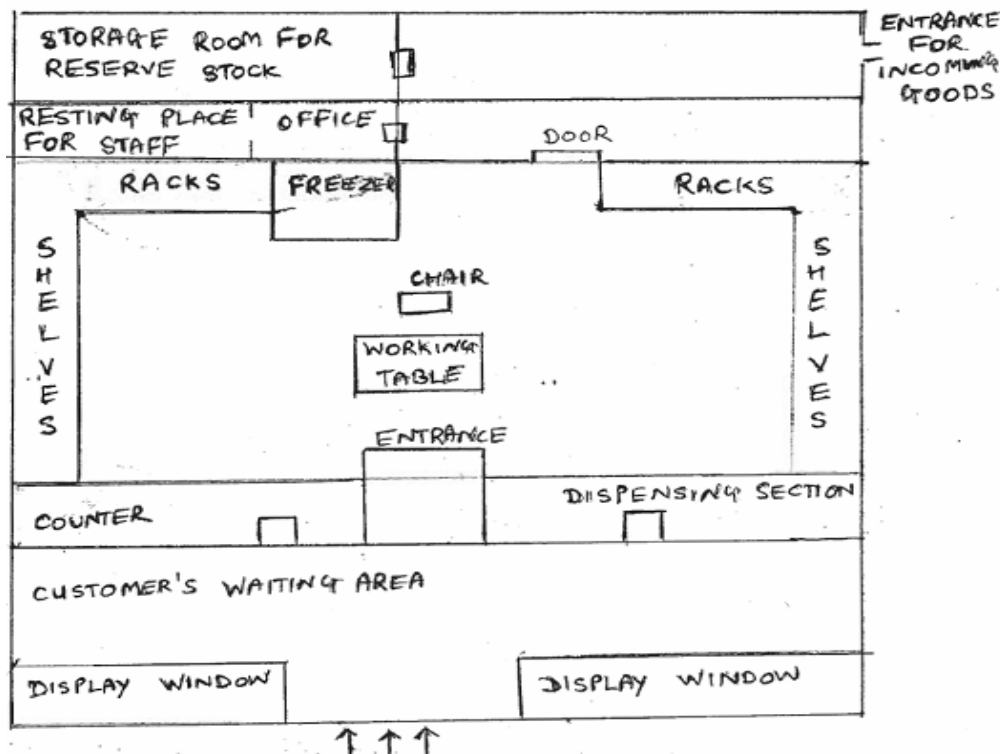
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b. Draw an ideal layout design for retail drug store.(2 marks for layout & 1 mark for labeling)



c. State various medias of advertising the product in market.(any three for 3 marks)

Ans. Media for Advertising:

Press advertisement-Ex. newspapers and magazines

Literature advertisement –Ex. letters, circulars, catalogues and leaflets.

External advertisement – Ex. posters on walls and electronic display.

Miscellaneous advertisement –Ex. T.V., radio, window display, cinema slides etc.

d. write the qualities of good salesman.(any three for 3 marks)

Ans. Qualities of a salesman

➤ Personal qualities

He should have attractive personality,



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Good health, good physique, as the job involves lot of physical strain.

He should have clear voice, & his talk should impress people.

He should be well dressed.

➤ **Mental qualities**

He should have good memory, imagination, presence of mind, good judgment.

He should be intelligent to understand the nature & requirement of the buyers.

He should be able to think from the view of the customer.

➤ **Social qualities**

He should have liking for people & should be able to mix with them.

He should not be shy & reserved.

He should be a patient listener.

He should be polite & courteous.

➤ **Vocational skills**

He should know selling tech.

He should have knowledge of the product, customers, & competitive products

e. Define Industry. State various types of manufacturing industry (Definition carries 1 mark & each subtype for 0.5 mark)

Ans. **Industry**: it is the part of business activity which relates to production, processing, or fabrication of products.

Manufacturing industry

They are sub classified as,

i) **Analytical industry**-e.g. .fractional distillation of crude oil

ii) **Synthetic Industry** – e.g. manufacturing of benzoic acid from oxidation of benzyl alcohol.



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iii) Processing industry – e.g. Textile industry, Pharma industry, paper industry

iv) Assembly line industry - e.g. computers, T. V. etc.

f. State the main features of co-operative business.(each point carries 0.5 mark)

Ans. 1) It is governed by co-operative society Act 1912, It is voluntary organization made by association of person not the capital.

2) Managing committee is formed by electing members of society which frame the policies and manage the affair of society

3) The capital of co-operative society is contributed by its members through purchase of minimum amount of share.

4) The shares of society cannot transferred by members to others, if the member wants to withdraw his capital he has to return the shares

5)The distribution of profit is not related to share capital contributed by each member even with a small capital contribution a member can receive relatively large share in profit if he had a large number of business transaction with society

6) It conducts business on cash basis & does not allow credit facility.

7) The surplus at the end of the year is not distributed as dividend but portion of the balance is utilized for the benefit of the members. A portion is paid as a bonus to the employee & remaining is distributed among the members depending upon the purchases from the society.

4. Solve any FOUR of the following

12

a. State various methods of economic order quantity calculation.(1 mark for each method)

Ans. **Methods for Determination of EOQ:**

1) Tabular determination of EOQ



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- 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.

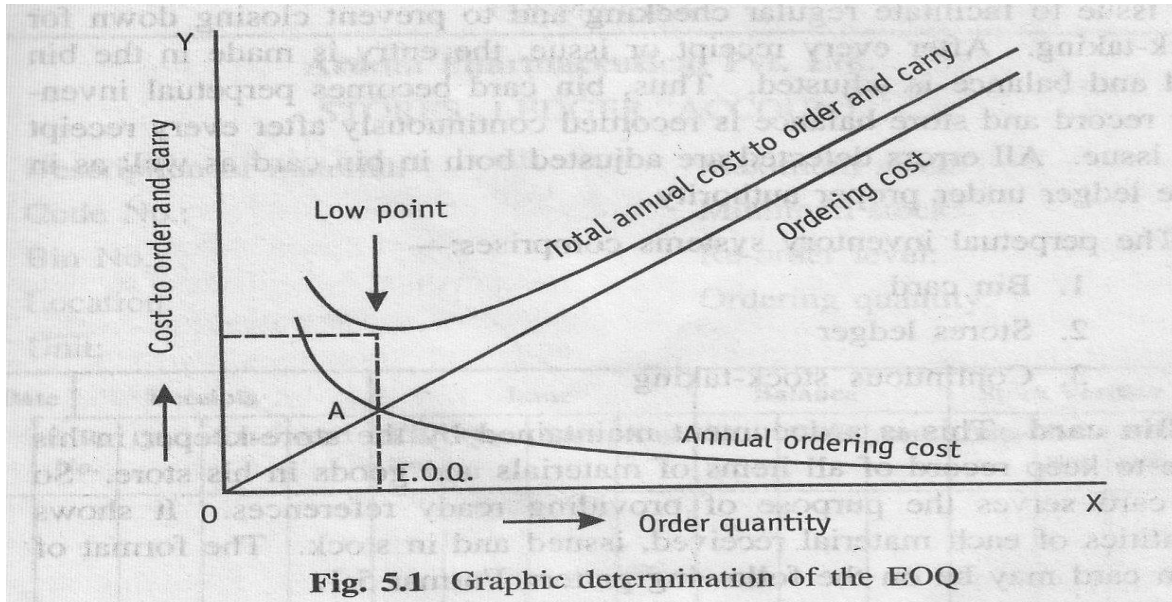
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2) Graphic presentation of EOQ



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



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b. ‘Window display act as silent salesman’. Give your comments. (3 marks for any three points)

- Ans. In Window display the goods are exhibited in the artistically laid down windows in front of the shops or at busy centers like bus stop, railway stations.
- The main aim of window display is to attract customers & thus promote sales.
- It creates good impression about the retail pharmacy.
- As it display seasonal items, price of the items & due to brilliant lighting during night people will attract easily.
- As the items displayed in the window are changed frequently to give freshness & newness to the display, hence it attracts people regularly.
- The colour plays imp role in window display. It helps in arresting the attention of passersby and creates a pleasing impression.
- As without communicating with customers, window display attract customers It act as silent salesman

c. Write the content of training programme designed for drug store pharmacist (0.5 mark for each point).

Ans 1. Rules & policies of enterprise.

2. The routine work of a drug store, such as display of inventory in drug store, method of recording of sales, maintaining of cash book, proper wrapping of packages etc.

3. The technical knowledge of selling products of the firm

4. Discussions on the location of the various, lines of merchandise in drug store, so that when a customer makes enquiries about the required goods, the salesman should be in position to show & discuss promptly.



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5. Dealing with customers who visit the drug store.
6. The highlights of new products should be discussed whenever it arrives in the drug store.
7. Courteous behavior with customers.
8. Dealing with drug authority & other kinds of inspectors.

d. State the functions of C & F agent. (3 marks for any 3 points)

Ans. A clearing and forwarding agent normally undertakes the following activities and release the burden on manufacturer and make him free to concentrate only on production.

- (a) receiving the goods from the factories or premises of the principal or his agents;
- (b) warehousing these goods;
- (c) receiving dispatch orders from the principal;
- (d) arranging dispatch of goods as per the directions of the principal by engaging transport on his own or through the authorized transporters of the principal;
- (e) maintaining records of the receipt and dispatch of goods and the stock available at the warehouse.

e. Write the objectives of double entry system of book keeping (3 marks for any 6 points)

Ans. Objectives of Double entry system of book –keeping are as follows:

- 1) Maintaining a systematic record of business transactions.
- 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 funds
- 7) It provides information regarding assets and liabilities
- 8) It shows comparison of past and present business



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f. Define Recruitment. State the factors affecting the process of Recruitment.(1 mark for definition & 2 marks for factors affecting)

Ans. Recruitment: is the process of exploring the source of supply of the required personnel and stimulating the prospective employees to apply for jobs in the organization.

Factors affecting the process of Recruitment:

- 1) Time consuming process
- 2) Costly method
- 3) Physical fitness of candidate to perform the job is mandatory
- 4) Candidate's communication skill
- 5) Candidate's having sufficient experience of particular work is generally preferred. **OR**

Candidate's suitability

- 1) His intelligence I.e. mental alertness
- 2) Aptitude to learn particular skill
- 3) His knowledge a & skill already achieved in particular trade.
- 4) His personality which includes his emotional balance, maturity, temperament, etc.
- 5) His physical endurance can be carried out by various medical tests.

Organization suitability:

- 1) Limitation on numbers of candidates to be recruited
- 2) Salary expectation by the candidates.
- 3) Affordability of the organization for the expected payment.



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Q.5. Solve any FOUR of the following.

12 Marks

a. Write the procedure followed for disposal of scrap and surplus in market. (3 Mark)

Definition: scrap (0.5 Mark)

Scrap is the residue incidentally obtained from manufacturing processes.

Definition: surplus (0.5 Mark)

Surplus items are those items which are not required by the organisation.

Types of scrap: (0.5 Mark)

1. Legitimate scrap
2. Administrative scrap
3. Defective Scrap
4. Control of scrap

Procedure for disposal of scrap and surplus: (1.5 Mark)

There are two methods for disposal of scrap and surplus materials;

- Scrap and surplus material is sold if it cannot be recycled into useful material for subsequent production of the basic product.
- It can be processed into useful raw materials for subsequent production of basic products.

b. State the methods compensation to pharmacist.

Methods of compensation (05 X 6=3 Mark)

1. Fixed salary or straight salary method.
2. Straight commission method.
3. Salary commission and allowance method.
4. Profit sharing method



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5. Salary and bonus methods.
6. Promotion.

c. Define Bank. State the type of accounts the bank provides to its customer.

Definition: Bank (1 Mark)

A bank is a comprehensive term for a number of institutions carrying on certain kinds of financial business, dealing in money.

Type of accounts: (0.5 X 4= 2 Mark)

- Current account
 - Fixed deposit account
 - Savings bank account
 - Home safe account
 - Cash Credit
-
- **Current Account** : The businessmen generally open this account. The depositor is free to make deposits and withdraw money from the current account whenever he likes.
 - **Fixed Deposits Account** : A definite sum of money is deposited into this account for a fixed period. The deposited money cannot be withdrawn before the maturity.
 - **Savings Bank Account** : This account is opened for the benefit of middle class and low income group people. Money can be withdrawn from this account whenever necessary.
 - **Home Safe Account** : This account is opened to cultivate the habits of savings for housewives and children.
 - **Cash Credit** : A specified amount is granted as loan to a person against the security of a bond (or) the security of commercial goods. This is known as cash credit. The goods are stored in the godown of the bank. The bank releases the stocks on the basis of repayment of loan. When the cash loan is granted; the borrower opens cash credit account. He can



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- withdraw money from this account according to his requirements. The bank charges interest only on the amount withdrawn by him.

d. What do you understand by Market Research? State its objectives. (3 Marks)

Definition: Market Research (1 Mark)

Market research is the process of systematic gathering, recording and analysing information data about problem related to the marketing of goods and services, the information/data can be concerned with performance, attitude and behaviour.

offering staff services to marketing executives.(these has to be deleted as these is definition of marketing research)

Market Research objectives: (0.5 X 4 = 2 Mark)

1. To determine size and characteristic of the market for the product.
2. To study business trends.
3. To study competitive study.
4. To study Market share analysis.
5. To decide Pricing policy.
6. To measure market potential.
7. Short and large range forecasting.

e. What is financial statement? State the methods of analysing the financial statements.

Definition: financial statement (1 Mark)

The term financial statements means the two statements prepared at the end of the accounting period of the enterprises viz., the balance sheet (statement of the present financial position) and profit and loss account (income statement).

Methods of analysing the financial statements: (0.5 X 4 = 2 Mark)

1. Comparative financial statements



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2. Common size financial statements
3. Funds flow analysis
4. Ratio analysis
 - Liquidity ratio
 - Solvency ratio
 - Activity ratio
 - Profitability ratio
 - Miscellaneous ratio

f. Define balance sheet. State characters and purpose for preparation of balance sheet

Definition: Balance Sheet (1 Mark)

Balance sheet is a statement of accounts prepared for the purpose of ascertaining the exact financial position under review. It is called balance sheet because it prepared on a sheet of ledger folio.

Characters and purpose for preparation of balance sheet: (0.5 X 4 = 2 Mark)

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

Q.6. Solve any FOUR of the following.

16 Marks

a. Write public utility functions of bank.

Function of Bank:

Functions of a bank may be classified into 3 categories.



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1. Services to depositors
2. Services by way of loans
3. Miscellaneous functions.

1. Miscellaneous Functions : (0.5 X 8 = 4 Mark)

1. The bank provides safety lockers for the safe custody of jewellery, valuable documents and other valuable possessions of its customers.
2. It issues drafts, travellers cheque etc., for the benefits of the customers.
3. It gives various kinds of trade information's useful to their customers.
4. It performs foreign exchange business.
5. The bank collects the payment of bill of exchange, cheques, promissory notes etc., on behalf of its customers.
6. It collects dividends, interest on share, debentures etc., on behalf of its customers. Debentures are certificates issued by the company to the Debenture-holder and the company gives an undertaking to repay the borrowed amount along with interest to the debenture-holder on a prescribed date.
7. It buys and sells shares and securities on behalf of its customers.
8. They transfer funds from one branch of bank to another branch and from one place to another place.

b. State various steps involved in purchasing.

Steps involved in purchasing Explanation (Any 4 point 4Marks)

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:



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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. A last date is given for the tenders to reach the purchase department.

4. Placing the Order:

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

5. Receiving and Checking the Material:

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



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6. Checking the Invoice or Bill:

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

7. Recording of the Bills in Books:

The bills are sent to Accounts Section where the bills are entered into Account books. Any errors in bills are immediately informed to higher authorities for necessary action.

8. Releasing the Payment to the Supplier:

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

c. What do you know about book of original entry? Draw its specimen format.

Definition: Original Entry – (1Mark)

There are books for account in which a transaction is recorded for the first time from source document is called original entry.

Books of original entry – (1Mark)

1. Journal
2. Cash Book
3. Purchase Book
4. Sales Book

Format of Journal (1Mark)

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)



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Format of Cash Book- (1Mark)

Dr				Cr			
Date	Particulars	L.F.	Rs.	Date	Particulars	L.F.	Rs.

d. Write steps involved in rectification of errors present in trial balance. (4Marks)

Steps involved in rectification of errors present in trial balance:

- 1 A recheck of tally of debits and credits.
- 2 A recheck of trial balance items with the ledger.
- 3 Rechecking of total ledger accounts and their balancing should be undertaken to see whether the difference in total is due to error in totalling/ addition and balancing ledger account.
- 4 To whether there are any items in the book of original entry which do not have a L.F.
- 5 The difference may be due to omission of entry either on debit or credit side of transaction. For example, a debit entry of say, Rs.4642 has been made in a transaction, the corresponding credit entry has been omitted through an over site. To eliminate this possibility, it is necessary carefully scan through all the credit entries to see whether the corresponding credit entry of said amount has been made under this transactions.
6. If the difference between the debit and credit is divisible by 2, it is possible that posting of an account equal to $\frac{1}{2}$ of the difference may have been made on the wrong side of a ledger account. For example, If the total of the debit side of the trial balance exists by say



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Rs.854, it is possible that through an oversight a credit item of Rs.427 has been posted in ledger as a debit so all entries of Rs.427 be thoroughly scrutinised.

7 If the difference is of two digit (excluding zero) and their sum is a multiple of nine, the mistake is likely to be in the transposition of figures. For example, If the debit of say Rs.1495 has been posted as a Rs. 1459, the credit side of trial balance will exist by Rs.36. Thus a difference in trial balance divisible by 9 may help in detecting the error by re-examining the entries.

e. Journalise the following transactions: Journal of Ram (4Marks)

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
Apr.2005				
1	Cash a/cDr To Capital a/c (being business started with cash)		5000	5000
3	Purchases a/c.....Dr To Cash a/c (being brought goods by cash)		750	750
8	Cash a/cDr Discount allowed.....Dr To Sales a/c (being goods sold on cash & discount allowed)		1375 25	1400
9	Rent a/c.....Dr To Cash a/c (Being rent paid)		300	300
	Total		7450	7450



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f. Prepare Simple Cash Book (for each correct entry 1Mark each) (4Marks)

Simple Cash Book

Dr

Cr

Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)
Jan 2010							
1	To Capital a/c		15000	7	By Purchase a/c		2350
19	To Saket a/c		500	31	By Salary a/c		1200
				31	By Balance c/d		11950
			15500				15500
1 st feb 2010	To Balance b/d		11950				

(It is assume that 11 January entry of sold goods to sakat is on credit,& 26 jan entry is not considered as it is credit entry not to be recorded in cash book)