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INTERNAL TRADE

Question 2:

Discuss the features of a departmental store. How are they different from multiple shops or chain stores.

ANSWER:

Department stores are basically large, fixed establishments that deal in a wide variety of products. The following points highlight the features of a department store:

(a) Central locations: Department stores are generally located in central areas so as to attract a large number of customers.

(b) Defined hierarchy: The management in department stores follows the same hierarchy that is generally followed in any joint stock company. That is, the top management consists of a board of directors, with the managing director, the general manager and the department managers under it in that order.

(c) Absence of middlemen: Department stores purchase goods directly from manufacturers and sell them to customers. Thus, they eliminate the role of middlemen.

(d) Centralised purchase with decentralised sales: In a department store, the purchases from manufacturers are handled by a single division that follows a centralised purchase policy. On the other hand, the sales are handled by the respective sections of the department store, which follow a decentralised policy for sales.

Differences between department stores and multiple shops

Basis of difference	Department stores	Multiple shops
Variety of products	They offer a wide variety of products to customers.	They deal in a single line of product and specialise in it.
Customer services	They offer a wide variety of customer services.	They offer limited customer services.

Location	They are located in central parts of cities so as to attract a large number of customers.	They have multiple locations—that is, they are spread across cities or towns.
Pricing policy	They do not follow a fixed pricing policy as the prices of products vary across departments.	They follow a fixed pricing policy across all the shops that are part of a particular chain.
Cost of failure	They have a very high cost of failure because of the huge initial and operating expenses.	They have a limited cost of failure because the initial investment is not very large and the losses of one shop can be covered by the profits of others.

Question 3:

Why are consumers cooperatives stores considered to be less expensive? What are its relative advantages over other large scale retailers?

ANSWER:

Consumer cooperative stores are formed by groups of consumers to provide goods at reasonable prices to members of consumer societies. In such societies, the role of middlemen is eliminated as these societies purchase goods from manufacturers or wholesalers directly and sell them to society members at reasonable rates. As consumer cooperative stores do not aim at profit making, the prices of goods offered by them are much lower than the prices of goods at retail shops. Compared with large-scale retailers, the capital requirement for starting a consumer cooperative society is very low. Thus, consumer cooperative stores do not require much investment, and the goods sold by them are priced lower.

The following are some advantages that consumer cooperative stores have over large-scale retailers:

(a) Democratic management: Consumer cooperative stores are democratic organisations as they are managed and controlled by elected managing committees of consumer societies. The members of managing committees are elected by the members of consumer societies on the principle of 'one member, one vote'.

(b) Limited liability: The liability of the members of consumer cooperative societies is limited to the amount of shares held by them. Thus, in case a society's liabilities increase

beyond the assets, the members will not be liable to repay the debts using their personal assets.

(c) *Low price of goods*: As the goods offered by consumer cooperatives are directly purchased from manufacturers and wholesalers, the role of middlemen is eliminated. Therefore, consumer societies are able to sell goods at lower prices.
