COMMERCE

GRADE XI – Mumbai Board

A.Y. 2020-21

ORGANISATION OF COMMERCE AND MANAGEMENT

2

Trade

2

Trade

2 Trade

Important points to learn:

1) Introduction and Meaning
2) Types of Trade
   A) Internal Trade
   1) Wholesale Trade
   2) Retail Trade
   B) International Trade
   1) Import Trade
   2) Export Trade
   3) Entrepot Trade
3) Distinguish – Wholesaler & Retailer
4) Distinguish – Internal Trade & Foreign Trade

Please Note:
These notes are general guidelines only for reference, for the students of SRK/MBBI Junior College, Dahanu. ***For detailed notes, students should refer only the prescribed textbook of the Maharashtra State Bureau of Textbook Production and Curriculum Research.*** *This study material is for learning purpose during lockdown.*

2 Trade

Introduction

Trade plays a vital role in the overall development of a country's economy.

Buying and selling of goods and services for money's worth is the basic feature of trade. It is the transfer of ownership of goods and services from one person or entity to another.

The original form of trade was barter, the direct exchange of goods and services. After invention and acceptance of common currency i.e. money trade was simplified.

Meaning

'Trade' means the process of exchange of goods and services.

Trade refers to buying and selling of goods and services with an object of earning profit.

Trade establishes a link between producers and consumers and it is carried out by buyers and sellers.

Types of Trade

- **Trade**
  - **Internal Trade**
    - Wholesale Trade
    - Retail Trade
      - Itinerant Retailers
        1. Hawkers
        2. Peddlers
        3. Street Traders
        4. Cheap Jacks
        5. Market Traders
      - Fixed Shop Retailers
        - Small scale Retailers
          1. General Stores
          2. Second hand goods shops
          3. Authorized dealers
          4. Speciality shops
        - Large scale Retailers
          1. Departmental Stores
          2. Supermarket stores
          3. Chain stores
          4. One prices shops
          5. Malls
  - **External Trade**
    - Import
    - Export
    - Entrepot

Types of Trade

➢ **Internal Trade**

It is also known as Home Trade. In this trade, buying and selling of goods and services takes place within the geographical boundaries of a country. It is conducted with local currency for the exchange of goods and services. Buyers and sellers both are from the same country.

1) Wholesale Trade: Goods are purchased and sold in bulk. A wholesaler purchases in large quantities from the producers and sells in small quantities to the retailers. He is the link between the producer and the retailer.

Wholesaler buy goods from manufacturers and sell it to retailers so ***wholesaler is buyer as well as seller***.

2) Retail Trade: Retail trade is business activity associated with the sale of goods to the final consumers in small quantities. Retailer is the link between wholesaler / manufacturer to the ultimate consumer.

Wholesaler buy goods from wholesaler and sell it to customers so ***retailer is buyer as well as seller***.

Types of Retailers

Retailers

- **Itinerant Retailers**
  1. Hawkers
  2. Peddlers
  3. Street Traders
  4. Cheap Jacks
  5. Market Traders
- **Fixed shop Retailers**
  - **Small scale fixed Retailers**
    1. General Stores
    2. Second hand goods Shop
    3. Authorized Dealers
    4. Speciality Shops
  - **Large scale fixed Retailers**
    1. Departmental Stores
    2. Supermarket Stores
    3. Chain Stores
    4. One Price Shops
    5. Malls

Types of Retailers

A) Itinerant Retailer : Itinerant retailers are those retailers who do not have a fixed place or fixed shop for their business.

1) Hawkers: Hawkers are one of the oldest types of retailers. They move from one place to another place, carrying goods in hand cart, moving from the city or place anywhere, where they can sell easily.
2) Peddlers: Peddlers are the oldest form of retailers. Peddlers are those, who carry goods on their head in baskets or container.
3) Street Traders: These retailers do their business on footpaths of busy street of cities and towns. They prefer crowded places.
4) Cheap Jacks: Cheap Jacks have independent shops having temporary setup. They keep changing places of their business depending upon responses they get from consumers.
5) Market Traders: Market traders open their shops on market days i.e. on different places on fixed days. Eg: Monday market of Dahanu.

Types of Retailers

B) Fixed Shop Retailer : Fixed shop retailers are those retailers who do not move from one place to another. They mostly have fixed places. They can further be classified into small scale fixed retailer and large scale fixed retailer.

➢ **Small scale fixed Retailers**

The Retailers who conduct their business operations on a small scale and deal in variety of goods are small scale shop retailers. They offer shopping convenience to the customers as they are situated in the same locality. Eg: General stores, medical store, laundry, etc.

1) **General Stores:** General store Retailers sell goods which are required by people for their day to day needs like food grains, soaps, stationery, medicines, biscuits, footwear, umbrella, etc.
2) **Second hand Goods Shop :** These retailers purchase and sell used goods. Eg: They deal in books, furniture, TV. Set, clothes, cars, etc.
3) **Authorized Dealer :** These retailers have authorized dealership of particular manufacturer's goods. Eg: Samsung, Tata, Videocon, etc.
4) **Speciality Shops :** These retailers deal in particular line of goods. They keep a wide variety of item of same line of the product. Eg: Toy Shop, etc. They offer goods at varying price range

Types of Retailers

- **Large scale fixed Retailers**

The retailers who conduct their business operations on a large scale by investing huge capital, selling variety of quality goods are large scale shop retailers. These retailers have come into existence because of urbanization. These are fixed shops located at different localities of the cities. Eg: Departmental Stores, Super Market, etc.

1) Departmental Stores: A departmental store is a large scale retail shop having different departments (sections) under one roof. Each section deals in a particular type of goods. Eg: Shoppers Stop.

2) Super Market: It is a large retail organization which mainly sells wide variety of food and grocery items on the basis of 'Self-Service'. Eg: Reliance Mart.

3) Chain Stores: They are retail store owned by a single organization. Chain store is a network of a number of branches situated at different localities in the city or in different parts of the country. They are owned, managed and controlled by its head office. Eg: D-Mart.

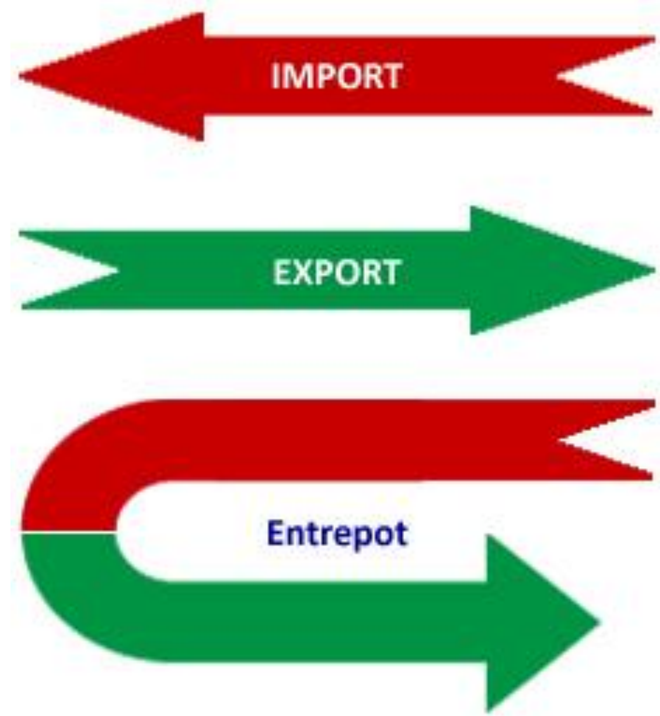
4) One Price Shop: The shop where the prices of all the products or goods are same. This shop sells a large variety of goods of daily use at low, but one common prices. Eg: Rs. 49/-, Rs. 99/-.

5) Mall: It is a large enclosed shopping complex containing various stores, businesses and restaurants.

Types of Trade

- **International Trade**

It is also known as Foreign Trade. When trade takes place between different countries, it is known as foreign trade. In this type of trade, the boundaries of two countries are crossed and different currencies are used. The consumers get variety of goods and services due to International trade.



It is further divided as:

1) Import Trade: When goods and services are purchased from another country it is called as import trade.

2) Export Trade : When goods and services are sold to foreign / oversees buyers then it is called as export trade.

3) Entrepot Trade : It is the combination of import / export trade. It involves importing the goods from one country and reselling these goods to another country.

E.g. Indian seller importing goods from Japan and re-exporting same goods to Africa.

DISTINGUISH – WHOLESALER vs. RETAILER

WHOLESALER	RETAILER
• **Meaning** A person who conducts the wholesale trade is called a Wholesaler	A person who conducts the retail trade is called a Retailer
• **Capital** Required large capital	Comparatively less capital is required
• **Links** Links the Manufacturer and Retailers	Links Wholesalers and Customers
• **Profit Margin** Less profit margin as compared to Retailer	More profit margin as compared to Wholesaler
• **Prices** Sells goods at lower prices to Retailer	Sells goods at higher prices to consumer
• **Finance** Requires large financial resources	Requires limited financial resources

DISTINGUISH – INTERNAL TRADE vs. FOREIGN TRADE

INTERNAL TRADE	FOREIGN TRADE
• **Meaning** Trade within the national boundaries of the home country	Trade takes place between different countries or the entire globe.
• **Tariffs** Tariff rates of various countries do not affect the internal trade	Tariff rates of various countries do affect the foreign trade
• **Foreign Exchange Rates** Fluctuations in foreign exchange rate do not directly affects internal trade	Fluctuations in foreign exchange rate directly affects foreign trade
• **Quotas** Quota imposed by various countries do not directly affect the internal trade	Foreign trade has to operate within the quotas imposed by various countries
• **Culture** Domestic culture of the country affects the product design	Cultures of the various countries affects the product design

This Page Has Been Intentionally Left Blank

*********** End of Chapter 2 ***********