Internal Trade and international trade

MEGHA C V

Internal Trade

Buying and selling of goods and services within the boundaries of a nation are called internal trade.

Internal trade can

be classified into two categories namely

1) Wholesale trade and

2) Retail trade

Wholesale trade

Buying goods in large quantities from producers and selling them in small quantities to retailers is called wholesale trade. Person engaged in wholesale trade is called wholesaler. Wholesaler is the connecting link between producer and retailer.

Retail trade

Buying goods from wholesalers and selling them in relatively small quantities to consumers is called retail trade. Person engaged in retail trade is called retailer. Retailer is the connecting link between wholesaler and consumer.

Types of retail trade

There are TWO categories of retailers

a) **Itinerant retailers and**

b) Fixed shop retailers.

Itinerant retailers

Itinerant retailers are traders who don’t have a fixed place of business. They keep on moving from street to street or place to place in search of customers.

Types of itinerant retailers

1. Peddlers and Hawkers

They are small traders who carry the products on a bicycle, a hand cart, a cycle rickshaw or on their heads. They move from place to place to sell their products at the doorstep of the customers. They deal in low value products such as toys, vegetables and fruits, fabrics, carpets, snacks, ice creams etc.

2. Market traders

They are small retailers who open their shops at different places on fixed days say, every Saturday. They sell fruits, vegetables, crockery, fabrics, fish etc

3. Street Traders

They are small retailers who are commonly found at places where huge floating population gathers, for eg: near railway stations and bus stands. They sell consumer items of common use such as stationery items, eatables, readymade garments, newspapers and magazines etc.

4. Cheap jacks

They are small retailers who have independent shops of a temporary nature in a business locality. They keep on changing their business from one locality to another, depending upon the potentiality of the area. Eg: umbrella repairers, shoe repairers etc.

Fixed shop retailers

These are retail shops who maintain permanent establishment to sell their merchandise. Therefore, they don’t move from place to place to serve their customers.

A] Fixed shop small retailers

1. General Stores

These are most commonly found in a local market and residential areas. These shops carry stock of a variety of products required to satisfy the day-to-day needs of the consumers. They help consumers in buying products of daily use like grocery items, soft drinks, toiletry products, stationery and confectionery etc.

2. Speciality shops

These retail stores specialise in the sale of a specific line of products. They are generally located in a central place to attract a large number of customers. Eg: Shops selling children's garments, men's wear, ladies wear, toys and gifts, school uniforms, college books etc.

3. Street Stall Traders

These retailers are commonly found at street crossings or other places where flow of traffic is heavy. They attract floating customers and deal mainly in goods of cheap variety like hosiery products, toys, cigarettes, soft drinks etc.

4. Second Hand Goods Shop

These shops deal in used goods like books, clothes, automobiles, furniture and other household goods etc. Generally persons with low income purchase goods from such shops. The goods are sold at lower prices.

B] Fixed Shop Large Retailers

1. Departmental Stores

A departmental store is a large retail store offering a wide variety of products under one roof. It has a number of departments each one dealing in one type of product. For eg: there may be separate departments for toiletries, medicines, furniture, groceries, electronics, clothing etc within one store. “Needle to an aeroplane”, “all shopping under one roof”, “ a pin to an elephant” is the spirit behind a departmental store. Eg: Akberally in Mumbai, Spencers in Chennai etc.

2. Chain Stores or Multiple Shops

Chain stores are networks of retail shops that are owned and operated by manufacturers or intermediaries. Under this type of arrangement, a number of shops with similar appearance are established in localities, spread over different parts of the country. These shops deal in standardised and branded consumer products. Eg: DCM, Raymonds, Bata, KFC etc.

3. Mail Order Houses

Mail order houses are the retail outlets that sell their goods through mail. There is no direct personal contact between the buyer and the seller.

Mode of operation ;

For obtaining orders, potential consumers are approached through advertisement in news papers or magazines, circulars, newsletters, samples etc. All the relevant information about the products are described in the advertisement.

On receiving the orders, the goods are packed as specified by the buyer and are sent through the post office.

4. Consumer Co-operative stores

A consumer co-operative store is an organisation owned, managed and controlled by consumers themselves. The objective of such store is to reduce the number of middlemen and thereby provide service to the members. The consumer co-operative stores buy in large quantity directly from producers and sell them to the consumers at reasonable prices.

To start a consumer co-operative store ,at least 10 persons have to come together and form a voluntary association and get it registered under the Co-operative Societies Act. The capital of a consumer co-operative store is raised by issue of shares to members. The management of the store is entrusted to an elected Managing Committee.

5.Supermarkets

A supermarket is a large retail business unit selling wide variety of consumer goods on the basis of low price, wide variety and self-service. The goods traded are generally food products and consumer products such as grocery, utensils, clothes, electronic appliances, household goods and medicines. The customers move into the store, pick up needed goods, bring them to the cash counter, make payment and take home the delivery.

Goods and Services Tax

The Government of India, following the credo of ‘One Nation and One Tax’, implemented the Goods and Services Tax.

(GST) from July 1, 2017.

GST is a destination-based single tax on the supply of goods and services from the manufacturer to the consumer, and has replaced multiple indirect taxes levied by the Central and the State governments, thereby, converting the country into a unified market.

The GST has replaced 17 indirect taxes (8 Central + 9 State levels) and 23 cesses of the Centre and the States.

GST comprises Central GST (CGST) and the State GST (SGST) and Integrated GST(IGST)

INTERNATIONAL BUSINESS

Manufacturing and trade beyond the boundaries of one's own country is known as international trade. It involves not only the international movement of goods and services, but also of capital, personnel, technology and intellectual property like patents, trademarks, copyrights etc.

Modes of entry into international business

1. Exporting and importing

Exporting refers to sending of goods and services from the home country to a foreign country. Importing is purchase of foreign products and bringing them into one's home country. It may be direct and indirect exporting/importing.

2. Contract manufacturing

Contract manufacturing refers to a type of international business where a firm enters into a contract with one or a few local manufacturers in foreign countries to get certain components or goods produced as per its specifications. It may take Three forms

i) Production of certain components

ii) Assembly of components into final products

iii) Complete manufacture of the products

3. Licensing and Franchising

Permitting another party in a foreign country to produce and sells goods under your trademarks, patents or copy rights in lieu of some fee is called licensing. The firm that grants such permission to the other firm is called licensor and the other firm in the foreign country that acquires such rights is called the licensee. Eg: Pepsi, Coca Cola etc .Sometimes there is a mutual exchange of knowledge, technology and patents between the firms, which is known as Cross Licensing

Permitting another party in a foreign country to provide services under your trademarks, patents or copyrights in lieu of some fee is called franchising. The parent company is called the franchisor and the other company to which the franchise is granted is called franchisee. Eg: KFC, McDonald, Wal-Mart etc.

4. Joint Ventures

A joint venture means establishing a firm that is jointly owned by two or more otherwise independent firms. It may be brought about in Three ways:

i) Foreign investor buying an interest in a local company.

ii) Local firm acquiring an interest in an existing foreign firm.

iii) Both the foreign and local entrepreneurs jointly forming a new enterprise.

5. Wholly Owned Subsidiaries

If the parent company acquires full control over the foreign company by making 100 percent investment in its equity capital , it is called Wholly Owned Subsidiary. Wholly Owned Subsidiary can be established in either of the two ways:

i) Setting up a new firm in a foreign country- also called green field venture.

ii) Acquiring an established firm in the foreign country.

Major Export Documents

A. Documents related to goods

i) Export invoice: It contains information about goods such as quantity, value, number of packages, marks on packing, port of destination, name of ship, terms of payment etc

ii) Packing list: It is a statement of the number of packs and the details of goods contained in these packs.

iii) Certificate of origin: This is a certificate which specifies the country in which the goods are being produced.

iv)Certificate of inspection: It is a certificate issued by an agency authorised by the Govt. to ensure the quality of goods.

B. Documents related to shipment

i) Mate's receipt : This is given by the commanding officer of the ship to the exporter after the cargo is loaded on the ship. The mate's receipt indicates the name of the vessel, date of shipment, description of packages etc.

ii) Shipping bill : It contains the particulars of the goods being exported, the name of vessel, the port of destination, the country of destination, exporter's name and address etc.

iii) Bill of lading: It is a document wherein a shipping company gives its official receipt of the goods put on board its vessel and gives an undertaking to carry them to the port of destination.

iv) Airway bill: It is a document wherein an airline company gives its official receipt of the goods on board its aircraft and gives an undertaking to carry them to the port of destination.

v) Marine insurance policy: It is a certificate of insurance contract where the insurance company agrees in consideration of a payment of premium to indemnify the insured against loss incurred by the latter in respect of goods exposed to perils of the sea.

Major Import Documents

a) Trade enquiry : It is a written request by an importing firm to the exporter for supply of information regarding the price and various terms and conditions on which the latter exports goods.

b) Proforma invoice : It is a document that contains details as to the price, quality, design, grade, size, weight etc of the export product.

c) Import order or indent : Indent contains the information such as quantity and quality of goods to be imported, price, method of forwarding the goods, nature of packing, mode of payment etc.

d) Letter of credit: : It is a guarantee issued by the importer’s bank that it will honour up to a certain amount of payment of export bills to the bank of the exporter.

e) Shipment advice : It is a document that the exporter sends to the importer informing him that the shipment of goods has been made. It contains invoice number, bill of lading number, name of vessel with date , the port of export, description of goods etc.

f) Bill of entry : It is a form supplied by the customs office to the importer. It contains information such as name and address of the importer, name of the ship, number of packages, marks on the package, quantity and value of goods, name and address of the exporter, port of destination and customs duty payable.

i) Import general manifest : It is a document that contains the details of the imported goods. It is the document on the basis of which unloading of cargo takes place.

Q.The risk of bad debt in this business is eliminated particularly when payment is received through VPP

a) Departmental store
b) Mail order trading house
c) Teleshopping
d) None of the above

Q.It is a network of branches situated at different localities in the city or in the different parts of the country

a) Departmental stores
b) Multiple stores
c) Consumer co-operative store
d) None of the above

Q. This retail business acts as a universal supplier of a wide variety of products

a) Multiple shop
b) Departmental store
c) Teleshopping
d) Mail order business

Q.Bata is an example of ________

a) General store
b) Mail order house
c) Chain store
d) Departmental store

Q. GST was introduced in India with the effect from

a) 1.1.1017
b) 1.7.1017
c) 1.4.2017
d) 1.1.2018

Q. The objective of such store is to reduce the number of middlemen who increase the cost of produce,and thereby provide service to the members.

a) Consumer Co-operative store
b) Departmental store
c) Chain store
d) Mail order houses

THANK YOU