

CUET · BUSINESS STUDIES · CLASS XI · CODE 305

Internal Trade

CUET unit: Internal Trade (Wholesale and Retail Trade, Types of Retailers, GST, Role of Chambers of Commerce)

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Snapshot

- Internal trade is buying and selling within the boundaries of a nation, split into wholesale trade and retail trade.
- Wholesalers render services to manufacturers and retailers; retailers render services to manufacturers/wholesalers and to consumers.
- Retailers are classified into itinerant retailers (peddlers, market traders, street traders, cheap jacks) and fixed shop retailers (small shopkeepers and large stores).
- Large store formats explained: departmental stores, multiple/chain shops, mail order houses, consumer cooperative stores, super markets and vending machines.
- Closes with GST (a destination-based single tax replacing multiple indirect levies from 1 July 2017) and the role of Chambers of Commerce (ASSOCHAM, CII, FICCI) in promoting internal trade.

Detailed Notes

2.1 Core concepts

- Trade is buying and selling of goods and services with the objective of earning profit; on the basis of geographical location of buyers and sellers it is classified as (i) internal trade and (ii) external trade (NCERT §10.1, p. 215).
- Internal trade = buying and selling of goods and services within the boundaries of a nation; no custom/import duty is levied, and payment is usually made in the legal tender of the country (NCERT §10.2, p. 215-216).
- Internal trade is further classified into (i) wholesale trade and (ii) retail trade; both wholesalers and retailers are marketing intermediaries that ensure equitable distribution speedily and at reasonable cost (NCERT §10.2, p. 216).
- Wholesale trade = purchase and sale of goods/services in large quantities for resale or intermediate use; wholesalers take title to goods, bear business risk, buy in bulk and sell in small lots to retailers/industrial users (NCERT §10.3, p. 216).
- Services of wholesalers to manufacturers: facilitating large scale production, bearing risk, financial assistance, expert advice, help in marketing function, facilitating production continuity, and storage (time utility) (NCERT §10.3.1, p. 217).

- Services of wholesalers to retailers: availability of goods, marketing support, grant of credit, specialised knowledge, and risk sharing (NCERT §10.3.2, p. 218).
- Retail trade = sale of goods and services directly to ultimate consumers for personal, non-business use; the retailer is the final stage in the distribution channel (NCERT §10.4, p. 218).
- Services of retailers to manufacturers/wholesalers: help in distribution of goods (place utility), personal selling, enabling large scale operations, collecting market information, and help in promotion (NCERT §10.4.1, p. 219).
- Services of retailers to consumers: regular availability of products, new product information, convenience in buying, wide selection, after-sales services, and provision of credit facilities (NCERT §10.4.2, p. 220-221).
- Types of retailers can be classified by size, ownership, merchandise handled, or by whether they have a fixed place of business; on the last basis they are (a) itinerant retailers and (b) fixed shop retailers (NCERT §10.5, p. 221).
- Itinerant retailers have no fixed place of business, operate with limited resources, mainly deal in daily-use consumer products; main types are peddlers/hawkers, market traders, street traders (pavement vendors) and cheap jacks (NCERT §10.5.1, p. 221-222).
- Fixed shop retailers maintain a permanent establishment, have greater credibility, and provide services like home delivery, guarantees, repairs, credit and spares; subdivided by size into small shopkeepers and large retailers (NCERT §10.5.2, p. 222-223).
- Fixed shop small retailers: general stores, speciality shops, street stall holders, second-hand goods shops, single line stores (NCERT §10.5.2, p. 223-224 and summary p. 240).
- Fixed shop large stores — Departmental store: a large establishment offering a wide variety of goods, classified into well-defined departments, under one roof ("everything from a pin to an elephant"); centralised purchasing, decentralised selling, combines retailing and warehousing (NCERT §10.5.2 / Departmental stores, p. 224).
- Chain stores / multiple shops: networks of retail shops owned and operated by manufacturers or intermediaries, dealing in standardised, branded, rapid-turnover goods; centralised procurement, branch-manager run, cash-only sales; examples Bata, DCM, Nirula's, Raymonds (NCERT §10.5.2 / Chain Stores, p. 225-226).
- Difference between departmental stores and multiple shops: location, range of products, services offered, pricing, class of customers, credit facilities, and flexibility (NCERT §10.5.2, p. 227-228).
- Mail order houses sell merchandise through mail with no direct personal contact; payment options include advance payment, VPP (Value Payable Post) and through a bank; suitable only for graded/standardised, easily transported, ready-demand goods (NCERT §10.5.2 / Mail Order Houses, p. 228-229).

- Consumer cooperative store: owned, managed and controlled by consumers themselves; registered under the Cooperative Societies Act with at least 10 persons; managed by an elected committee on one-man-one-vote rule; liability of members is limited (NCERT §10.5.2 / Consumer Cooperative Store, p. 230-231).
- Super market: a large retailing unit selling wide variety of consumer goods on low-price appeal, self-service, wide assortment and merchandising emphasis; cash only, no free home delivery or credit, no salespersons to convince customers (NCERT §10.5.2 / Super Markets, p. 231-233).
- Vending machines: newest revolution in marketing, useful for pre-packed brands of low-priced products that are uniform in size/weight and have high turnover; ATM is cited as an example in banking (NCERT §10.5.2 / Vending Machines, p. 233).
- GST = destination-based single tax on supply of goods and services from manufacturer to consumer; implemented 1 July 2017 on the credo "One Nation and One Tax"; replaced 17 indirect taxes (8 Central + 9 State) and 23 cesses; consists of CGST + SGST (intra-state) and IGST (inter-state) (NCERT §10.5 / GST, p. 233-234).
- Key features of GST: applies to "supply" of goods/services; destination-based consumption tax; four tax slabs of 5%, 12%, 18% and 28%; exports and supplies to SEZ are zero-rated; tax credit mechanism avoids cascading effect; GST Council decisions by 75% majority with States holding two-thirds weightage and Centre one-third (NCERT §10.5 / Key Features + GST Council, p. 235-236).
- Role of Chambers of Commerce and Industry (ASSOCHAM, CII, FICCI) in promoting internal trade — interventions in: interstate movement of goods, octroi and local levies, harmonisation of sales tax / VAT, marketing of agro products, weights and measures and prevention of duplication of brands, excise duty, promoting sound infrastructure, and labour legislation (NCERT §10.6, p. 237-238).

2.2 Definitions to memorise

Term	Definition	Page
Internal trade	Buying and selling of goods and services within the boundaries of a nation, on which no custom/import duty is levied.	215
Wholesale trade	Purchase and sale of goods and services in large quantities for the purpose of resale or intermediate use.	216
Retail trade	Sale of goods and services in relatively small quantities, generally to the ultimate consumers for personal, non-business use.	216, 218
Itinerant retailers	Traders who do not have a fixed place of business and keep moving with their wares from street to street or place to place.	221
Cheap jacks		222

Term	Definition	Page
	Petty retailers who have independent shops of a temporary nature in a business locality and keep changing locality (less frequently than hawkers).	
Departmental store	A large establishment offering a wide variety of products, classified into well-defined departments, aimed at satisfying every customer's need under one roof.	224
Multiple shops / Chain stores	Networks of retail shops owned and operated by manufacturers or intermediaries dealing in standardised, branded consumer products of rapid sales turnover.	225-226
Mail order house	Retail outlet selling merchandise through mail with no direct personal contact between buyer and seller.	228
VPP (Value Payable Post)	Postal arrangement in mail order trade where goods are delivered to the customer only on making full payment.	228-229
Consumer cooperative store	Organisation owned, managed and controlled by consumers themselves, formed to reduce middlemen and provide service to members.	230
Super market	Large retailing business unit selling wide variety of consumer goods on the basis of low-price appeal, wide assortment, self-service and merchandising appeal.	231-232
GST	Destination-based single tax on the supply of goods and services from manufacturer to consumer, implemented from 1 July 2017.	233-234
CGST / SGST / IGST	CGST + SGST are levied on intra-state supply; IGST is levied on inter-state supply and on imports treated as inter-state supplies.	234-236
Trade	Buying and selling of goods and services with the objective of earning profit.	215
External trade	Buying and selling between two or more countries; involves custom/import duty.	215
Hawkers / Peddlers	Itinerant retailers who move from place to place carrying goods on cycle or head.	222
Market traders	Itinerant retailers who open shops at fixed days/dates of the week.	222
Street traders / Pavement vendors	Retailers operating at railway stations, bus stands and places with floating population.	222
General store	Small fixed-shop retailer selling daily-use items in a residential area.	223
Speciality shop	Small fixed-shop retailer dealing in a single product line (e.g., music, books).	223

Term	Definition	Page
Single-line store	Fixed-shop retailer dealing in a single class of goods.	223-224
Centralised purchasing	Procurement system where head office buys for all branches; common in chain stores and departmental stores.	224, 226
GST Council	Constitutional body chaired by the Union Finance Minister; decisions by 75% majority with States two-thirds weightage and Centre one-third.	236
ASSOCHAM	Associated Chambers of Commerce and Industry of India — one of the three apex chambers in NCERT.	237
CII	Confederation of Indian Industry — apex industry chamber.	237
FICCI	Federation of Indian Chambers of Commerce and Industry — apex industry chamber.	237

2.3 Diagrams / processes to remember

- Classification chart of internal trade: Internal Trade → Wholesale Trade + Retail Trade; Retail Trade → Itinerant retailers + Fixed shop retailers; Fixed shop retailers → Small shopkeepers + Large stores (p. 216, 221-223).
- Box on "Terms of Trade" listing COD, FOB/FOR, CIF and E&OE (p. 220) — frequently tested as a match-the-following.
- GST illustrative diagram showing CGST/SGST on intra-state supply, IGST on inter-state supply, and tax liability arising when the taxable person crosses the exemption limit (p. 236).
- "GST Council — Constitution" box: Chairperson is Union Finance Minister; quorum 50%; States two-thirds weightage and Centre one-third; decisions by 75% majority (p. 236).
- Summary chart on p. 238-241 lists advantages and limitations of each large store format — useful as a revision matrix.

2.4 Common confusions / NTA trap points

- Internal vs external trade: internal trade attracts no custom/import duty; external trade does — students often pick the reverse.
- Wholesaler-to-manufacturer services vs wholesaler-to-retailer services: "specialised knowledge" and "marketing support" are services to RETAILERS, while "facilitating large scale production" and "production continuity" are services to MANUFACTURERS (p. 217-218).
- Departmental store vs multiple shop: departmental store is ONE big store at a central location with WIDE variety and credit facilities; multiple shops are MANY shops in many localities with LIMITED variety and CASH-only sales (p. 227-228).

- Cheap jacks vs market traders vs street traders: cheap jacks have temporary independent shops and change locality less frequently than hawkers; market traders open on fixed days/dates; street traders operate where floating population gathers (p. 222).
- Super market vs departmental store: both sell wide variety under one roof, but super market is SELF-SERVICE, CASH-only, no salespersons; departmental store offers personal service, credit and home delivery (p. 232).
- GST: it is destination-based, NOT origin-based; replaced 17 indirect taxes and 23 cesses; slabs are 5/12/18/28 percent (not 4/8/14/20); States hold two-thirds weightage in the GST Council (p. 234-236).
- **One Nation One Tax credo** — GST replaced **17 indirect taxes (8 Central + 9 State) and 23 cesses**. Students often misremember the count.
- **Centralised purchasing applies to both** departmental stores and chain stores — do not pick this to distinguish them. The distinguishing features are credit, services and merchandise variety.
- **Functions of marketing vs services of wholesalers/retailers** — three separate lists in CUET land. NTA sometimes drops "storage" or "after-sales service" into the wrong list.
- **GST tax slabs are 5/12/18/28%** — these are the four standard slabs. Exports and SEZ supplies are **zero-rated**, not at 28%.

2.5 Case examples

- **Bata, DCM, Nirula's, Raymonds (NCERT § 10.5.2, p. 226)** — examples of **multiple/chain shops** in India. Bata's shoe stores across cities exemplify centralised procurement, branded merchandise, cash-only sales and a branch-manager structure.
- **Big Bazaar / Reliance Smart (NCERT context, super markets, p. 232)** — Indian super-market chains that illustrate the self-service, cash-only, low-price-appeal model. Wide assortment under one roof but no credit and no home delivery — the canonical contrast with departmental stores.
- **Apna Bazar (Mumbai) — consumer cooperative store** — invoked through NCERT's discussion of cooperative retailing (§10.5.2). Apna Bazar operates the one-man-one-vote democratic structure, buys directly from manufacturers, and distributes surplus to member-consumers.
- **Spencer's / Shoppers Stop — departmental stores** — Indian departmental-store chains that illustrate the "everything from a pin to an elephant" model: wide variety classified into well-defined departments, credit facilities for regular customers, home delivery, central location.
- **GST rollout, 1 July 2017 (NCERT § 10.5, p. 233-234)** — the canonical date and credo ("One Nation, One Tax"). NCERT positions this as the most significant indirect-

tax reform in Indian history, replacing 17 indirect taxes and 23 cesses with a destination-based consumption tax.

Practice MCQs

Q1. Which of the following statements about internal trade is correct?


- A.** It involves goods crossing international borders and attracts custom duty.
- B.** It is the buying and selling of goods and services within the boundaries of a nation, and no custom/import duty is levied on it.
- C.** It is restricted to transactions between manufacturers and wholesalers only.
- D.** It applies only to agricultural produce sold in rural mandis.

Q2. Which of the following is NOT a service rendered by wholesalers to manufacturers?

- A.** Facilitating large scale production by collecting orders from retailers
- B.** Bearing risks such as fall in prices, theft, pilferage, spoilage and fire
- C.** Grant of credit to retailers
- D.** Providing financial assistance through cash payment for goods purchased

Q3. Match the following types of retailers with their descriptions: | List I (Type) | List II (Description) | |---|---| | (a) Peddlers and hawkers | (i) Open shops at different places on fixed days/dates | | (b) Market traders | (ii) Petty retailers with independent shops of a temporary nature in a business locality | | (c) Street traders | (iii) Move from place to place carrying products on a bicycle, hand cart or on their heads | | (d) Cheap jacks | (iv) Commonly found at railway stations, bus stands and places where floating population gathers |

- A.** (a)-(iii), (b)-(i), (c)-(iv), (d)-(ii)
- B.** (a)-(i), (b)-(iii), (c)-(ii), (d)-(iv)
- C.** (a)-(iv), (b)-(ii), (c)-(iii), (d)-(i)
- D.** (a)-(ii), (b)-(iv), (c)-(i), (d)-(iii)

 **8 more MCQs + answer key**
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PYQ Alignment

This chapter is a high-yield CUET unit because it is heavy in classifications (itinerant vs fixed shop, departmental vs multiple, super market vs departmental, GST slabs and features) that translate directly into match-the-following and statement-correctness MCQs; CUET 2023-25 papers have repeatedly tested wholesaler/retailer services, the distinguishing features between departmental stores and chain stores, and key features of GST including its slabs, zero-rated supplies and the CGST/SGST/IGST split.

