

Maximum Marks: 80

Time Allowed: : 3 hours

General Instructions:

1. This question paper contains 34 questions.
 2. Marks are indicated against each question.
 3. Answers should be brief and to the point.
 4. Answers to the questions carrying 3 marks may be from 50 to 75 words.
 5. Answers to the questions carrying 4 marks may be about 150 words.
 6. Answers to the questions carrying 6 marks may be about 200 words.
 7. Attempt all parts of the questions together.
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1. When two or more firms come together to create a new business entity that is legally separate and distinct from its parents it is known as _____. It brings in people with different cultures to work together. It also gives access to better resources like specialized staff and technology.
 - a) contract manufacturing
 - b) franchising
 - c) joint ventures
 - d) licensing
2. Expand KVIC
 - a) King of Village Investment Culture
 - b) Khadi and Village Industries Commission
 - c) Khadi and Village Industries Core
 - d) King of Village Industries Commission
3. Funding for Departmental Undertakings comes from which of the following sources:
 - a) Debentures
 - b) Shares
 - c) Government Treasury
 - d) Loans from Financial Institutions
4. Which of the following is the advantage of Mall?
 - a) Attract a large number of customers
 - b) All of these
 - c) Wide choice
 - d) Convenience in shopping
5. Which of the following is part of Village and Small Industries Sector?
 - a) Handlooms
 - b) All of these
 - c) Sericulture
 - d) Handicrafts
6. Which of the following is a limitation of e-business?
 - a) Low personal touch

- b) Ethical fallouts
- c) Risk
- d) All of these

7. PSEs are organisations owned by _____.

- a) Joint Hindu Family
- b) Government
- c) Private Entrepreneurs
- d) Foreign Companies

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8. The District Industries Centers Programme was launched on:

- a) September 1, 1978
- b) July 1, 1978
- c) May 1, 1978
- d) 15 August 1978

9. Which of the following statements is incorrect regarding debentures?

- A. Interest paid on debentures is tax-deductible.
 - B. Debentures do not carry voting rights.
 - C. It preferred by investors who want fixed income at lesser risk.
 - D. Issue of debentures dilutes the control of equity shareholders on management.
- a) Only C
 - b) Only B
 - c) Only D
 - d) Only A

10. **Assertion (A):** Sole proprietorship is the least regulated form of business.

Reason (R): There are minimal legal formalities and it is easy to start and close the sole proprietorship business as per the wish of the owner.

- a) Both A and R are true and R is the correct explanation of A.
- b) Both A and R are true but R is not the correct explanation of A.
- c) A is true but R is false.
- d) A is false but R is true.

11. To sell ready-made garments for children, men, women, etc. is the example of:

- a) General Store
- b) Single-line shop
- c) Departmental Store
- d) Single-product shop

12. _____ are agents who merely bring the buyer and the seller into contact.

- a) Commission agent
- b) Broker
- c) Stockist
- d) Selling agent

13. Preliminary Contracts are signed

- a) After incorporation but before commencement of business
- b) After incorporation but before capital subscription
- c) After commencement of business

- d) Before the incorporation
14. Which of the following are small industries?
- a) More labour intensive and less capital intensive.
 - b) Less labour intensive and less capital intensive.
 - c) More labour intensive and more capital intensive.
 - d) Less labour intensive and more capital intensive.
15. Social interests and business interests are _____.
- a) Contradictory
 - b) Complementary
 - c) Counteractive
 - d) Conflicting
16. **Assertion (A):** The contract of fire insurance is a contract of strict indemnity.
Reason (R): A person should not be allowed to gain by insurance.
- a) Both A and R are true and R is the correct explanation of A.
 - b) Both A and R are true but R is not the correct explanation of A.
 - c) A is true but R is false.
 - d) A is false but R is true.
17. The investment limit of SSI does not exceed
- a) ₹10 crore
 - b) ₹3 crore
 - c) Above ₹25 lakh and upto ₹5 crore
 - d) ₹2 crore
18. Which industries include activities concerned with the extraction and production of natural resources and reproduction and development of living organisms?
- a) Tertiary
 - b) Primary
 - c) Secondary
 - d) None of these
19. What do you mean by an entrepreneur ?
- a) Job-hunter
 - b) Job-seeker
 - c) Job creator
 - d) Job-applicant
20. Statutory corporations are _____.
- a) none of these
 - b) sole proprietorship
 - c) private enterprises
 - d) public enterprises
21. Write short notes on the following:
- i. UNCTAD
 - ii. MIGA
22. An activity can be an economic activity in one situation and non-economic in another situation. Do you agree? Give an example to justify the given statement.

OR

Discuss the four major functions performed by business enterprises.

23. How does market information provided by wholesalers benefit the manufacturers?
24. Equity Shares are known as Risk Capital. What is your view about it?

OR

What are equity shares? Discuss its various features.

25. i. Identify the type of retail selling where goods are supplied to the customers without the help of middlemen and without customers undertaking journeys to the retailer.
ii. Enlist any three merits of such retail business.

OR

Bindu and Rekha started a business in their own city. Both of them wanted to know the expectations the people, in general, had from them. To know this, they made a survey. In the survey about 150 such people were included who could be their possible customers. From the survey they came to know that mainly people wanted that, they should control the fluctuations in the market and they should simplify the availability of goods.

What sort of business in your view is being done by Bindu and Rekha-Wholesale trade or retail trade? Also, explain how from your answer the expectations of the people will be fulfilled.

26. Harshit runs a well known departmental store in Delhi. He procures different kinds of products from all over the country through railways, roadways, and airways. He also owns a godown to hold the stocks. He has also taken an insurance policy worth Rs.10 crores for his business. Moreover, he has taken a loan of Rs. 2,00,000 from ICICI Bank in order to meet short term financial needs of his business. He has placed information about his store on the hoardings, billboards, etc. in order to popularize them.

In the context of the above case answer the following:

- i. What are auxiliaries to trade?
ii. Identify the different auxiliaries to trade that are being used by Harshit in his business by quoting lines from the paragraph.

OR

Karan is running a grocery shop in the nearby local market whereas his friend Priyanshu works as a finance manager in a reputed IT company.

In the context of the above case:

- i. Identify the different types of economic activities both the friends are engaged in.
ii. Distinguish between the two different types of economic activities as identified in part (i) of the question (any two points).
27. After completing a course in gemology, Esha joins her father in the family business of fashion jewellery. Her father owns two showrooms at different locations in the city and operates his business through them. However, Esha intends to expand the business by venturing into online retailing. She also intends to introduce flexible manufacturing with the use of computer networks wherein the marketing department can interact constantly with the production department and get the customized products made as per the requirements of the individual customer.
- a. How is the mode of business that Esha intends to adopt different from the one that her father has been following over the years?
b. Distinguish between the two different modes of business as identified in part (a) of the question by giving any four points.
28. Parking in central Kolkata, the heart of this mega city, has always been a hassle. This is the case with most of the inner city areas. In an attempt to address the situation, the Kolkata Municipal Corporation (KMC) decided to utilize the rights

to underground space and undertake the parking project with private parties - KMC and Simplex. The purpose of the project was to develop an underground parking system.

- i. Name and state the type of enterprise referred to in the above para.
- ii. State its three features.

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29. Business has to safeguard not only the interests of the parties but the interests of several other parties also. The other parties are the employees, consumers, supplies, competitors/rivals, government, community and the world. Today, only that business is regarded as good which along with the interests of the owner takes care of the interests of all these parties also.

Which concept of business has been talked about in this statement? Identify that concept and state its meaning.

30. Discuss the various characteristics or features of Entrepreneurship.

31. Your firm is planning to import textile machinery from Canada. Describe the procedure involved in importing.

OR

Identify various organizations that have been set up in the country by the government for promoting country's foreign trade.

32. Godsend Wishes Ltd. is a well known real estate company in India. The company is planning to float a public issue of shares to raise fresh capital. As per the norms, it will have to take prior approval from SEBI (Securities and Exchange Board of India) before going ahead with raising funds from the public. Moreover, the company is planning to appoint HDFC Bank Limited as underwriters to the issue.

In the context of the above case answer the following questions:

- a. Why is approval from SEBI considered necessary?
- b. Who are underwriters? Is their appointment necessary whenever a public company wishes to raise the required funds from the public by means of an issue of shares and debentures?

OR

Jagat is running a grocery store under the name 'Morning Needs' in a local market. He takes all decisions about business himself, without any interference from others and also earns a direct reward for his risk-bearing.

In the context of the above case:

- a. Identify and define the form of business organization in which Jagat has promoted his business.
- b. State any four features of this form of business organization.

33. Describe in brief the features of equity shares.

34. Danush visited a new restaurant 'Darbaar' with his parents. They all liked the food served in the restaurant. After a week Danush took his friends to 'Darbaar' and placed an order for the same dishes that he had liked during his previous visit. But to his surprise, he found that the taste of the food was not as good as it was during his previous visit. As a result, he felt very disappointed.

In the context of the above case, answer the following questions:

- a. Identify the feature of services being discussed above.
- b. Explain briefly three other features of services.

Solution

1. (c) joint ventures

Explanation: A joint venture is a commercial enterprise undertaken jointly by two or more parties which otherwise retain their distinct identities.

2. (b) Khadi and Village Industries Commission

Explanation: The various policies, programmes and schemes related to agro and rural industries are implemented by the ministry through the Khadi and Village Industries Commission (KVIC), Handicrafts Board, Coir Board, Silk Board, etc.

3. (c) Government Treasury

Explanation: The funding of these enterprises come directly from the Government Treasury and are an annual appropriation from the budget of the government.

4. (b) All of these

Explanation: With the coming of Malls, the consumers get a wide variety to chose from. The customers get a variety of brands under one roof which makes it convenient for them to shop.

5. (b) All of these

Explanation: The village and small industries (VSI) sector consist broadly of traditional industries (viz. handlooms, khadi, and village industries, sericulture, handicrafts, and coir) and modern small scale industries including 'tiny' units and power loom.

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6. (d) All of these

Explanation: Limitations of e-business:

- i. Low personal touch
- ii. Ethical fallouts
- iii. Risk
- iv. Security

7. (b) Government

Explanation: Government

8. (c) May 1, 1978

Explanation: The District Industries Centers Programme was launched on May 1, 1978, with a view to providing an integrated administrative framework at the district level.

9. (c) Only D

Explanation: Debenture holders are a debt of the company and are not allowed to take their own decisions in the company.

10. (a) Both A and R are true and R is the correct explanation of A.

Explanation: A sole proprietorship business has minimum legal restrictions and formalities. Its life depends upon the life and wish of the sole proprietor. Therefore it is the least regulated form of business.

11. (b) Single-line shop

Explanation: This is an example of Single-line shop.

12. (b) Broker

Explanation: Brokers are agents who merely bring the buyer and the seller into contact. They execute the orders as per the buyer without physically involving the buyer in the transaction.

13. (d) Before the incorporation

Explanation: Before the incorporation

14. (a) More labour intensive and less capital intensive.

Explanation: Small scale industries employed more labour and less capital .

15. (b) Complementary

Explanation: Complementary, because both are linked to each other.

16. (a) Both A and R are true and R is the correct explanation of A.

Explanation: The purpose behind strict indemnity in case of fire insurance is that a person should not be allowed to gain by insurance.

17. (c) Above ₹25 lakh and upto ₹5 crore

Explanation: Above ₹25 lakh and upto ₹5 crore

18. (b) Primary

Explanation: Primary industries are those industries that get raw material from nature.

19. (c) Job creator

Explanation: An entrepreneur is a Job creator and not a job seeker or hunter.

20. (d) public enterprises

Explanation: Statutory corporations are public enterprises brought into existence by a special act of the parliament.

21. i. **United Nations Conference on Trade and Development (UNCTAD):** UNCTAD that comes into being in 1964 is the international institution shaping international trade. The widening trade gap between developed and developing countries. The general dis-satisfaction of developing countries with the GATT and the need for international economic cooperation led to the setting up of UNCTAD.

Few basic functions of UNCTAD are:

(i) To promote international trade with a view to accelerating economic development.

(ii) To formulate principles and policies on international trade and related problems of economic development.

ii. **MIGA :** The Multinational Investment Guarantee Agency was established in April 1988 to supplement the functions of the World Bank and International Finance Corporation.

Few objectives of MIGA are :

(i) To encourage the flow of direct foreign investment into the less developed member countries.

(ii) To provide insurance cover to investors against political risks.

(iii) To provide promotional and advisory services.

(iv) To establish creditability.

22. Yes, I agree with the given statement. For example, if a doctor treats his patients at the clinic, then it is an economic activity as the doctor gets fees for that. However, if the doctor treats his son at home, then it is a non-economic activity.

OR

i. Production of goods and services

ii. Marketing

iii. Selling

iv. Distribution of goods

23. A wholesaler provides almost all the relevant information regarding the preferences and expectations of the customers to the manufacturer. He also collects information regarding the products of the competitor, price of his product, promotional schemes running by competitor for increasing the sale of his product etc. Wholesalers make suggestions about the type and quality of goods required by the consumers, and he also gives an rough idea regarding the future expected demand of the product. Such information helps the producer to regulate production according to the changing requirement of the consumer.

24. Equity Share Capital is called risk capital as equity shareholders have a claim over the residual proceeds of the company. In other words, in the event of winding up, they are the last to be paid off after settling the claims of creditors and other external liabilities. In case the funds are insufficient to repay or settle external liabilities, equity shareholders are not paid off anything instead the uncalled amount may be called up from them.

OR

Equity shares are the main source of finance of a firm. It gives the right to the holders to claim dividend on the surplus profits of the company. The rate of dividend on the equity capital is determined by the management of the company.

Features:

- i. Equity shares are transferable in nature. They can be transferred from one person to another with or without consideration.
 - ii. Equity shareholders are the actual owners of the company and they bear the highest risk.
25. i. This is mail-order business which is also known as shopping by post.
- ii. Mail-order business offers the following benefits:
 - a. Elimination of middlemen which results in lots of savings for both buyers and sellers.
 - b. It does not require heavy expenditure on building and other infrastructure. Therefore, it can be started with limited capital.
 - c. Since the mail order business does not extend credit facilities to the customers, there is no risk of bad debts to them.
 - d. There is no direct contact between parties so it is through advertisement which saves time.

OR

Both the expectations of the people can be fulfilled only by a wholesale trader. Therefore, it is clear that Bindu and Rekha are doing wholesale trade. A wholesale trader can do both the desired services in the following manner:

- i. **Control on Market Fluctuations:** A wholesaler controls huge fluctuations in the market by stocking goods. Therefore, the prices remain under control. This directly benefits consumers.
 - ii. **Easy Availability of Goods:** The presence of the wholesaler makes it easy for a retailer to get the goods according to the taste of the consumers at any time. Consequently, all things are readily available to consumers. In the absence of the wholesaler, the retailers cannot perform this job easily.
26. i. Auxiliaries to Trade - It implies activities required to facilitate the purchase and sale of goods i.e. are meant for assisting trade.
- ii. The different auxiliaries to trade that are being used by Harshit in his business are:
 - a. **Transport** as he procures different kinds of products from all over the country through railways, roadways, and airways.
 - b. **Warehousing** as he owns a godown to hold the stocks.
 - c. **Insurance** as he has taken an insurance policy worth Rs. 10 crores for his business.
 - d. **Banking and Finance** as he has taken a loan of Rs. 2,00,000 from ICICI Bank in order to meet short term financial needs of his business.
 - e. **Advertising** as he has placed information about his store on the hoardings, billboards, etc. in order to popularize them.

OR

- i. The different types of economic activities both the friends are engaged in are: Karan is doing Business whereas the occupation of Priyanshu is Employment.
- ii. The difference between Business and Employment is given below:

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S. No.	Basis	Business	Employment
1.	Qualification	There is no minimum qualification required for running a business successfully.	A person should be qualified in accordance with the nature of employment that he/she wishes to take up.
2.	Reward	Profit earned is the reward for a businessman.	An employee is paid salary/wages.

27. a. Esha intends to start e-business, whereas her father is following the traditional business.
 b. The difference between e-business and traditional business is as follow:

S. No	Basis of distinction	Traditional business	e-business
1.	Ease of formation	The procedure involved in setting up the business is difficult.	The procedure involved in setting up the business is simple.
2.	Physical presence	Required	Not required
3.	Cost of setting up	High investment is needed	Investments are low as there is no need for physical facilities
4.	Operating cost	Operating cost is high due to fixed charges associated with an investment in procurement and storage, production, marketing, and distribution facilities.	The operating cost is low since the business operates on a network of relationships rather than ownership of resources.

28. i. Public Private Partnership (PPP)
 Public-Private Partnership means an enterprise in which a project or service is financed and operated through a partnership of Government and Private enterprises.
 ii. The three main features of PPP are described below :
- PPP is suitable for big projects whose gestation period is very long.
 - The purpose of PPP is to combine the skills, resources, expertise and experience of both the public and private sectors to deliver a better quality of services.
 - In PPP both government and private enterprises share the revenue in the agreed ratio.

29. The name of this concept is the Social Responsibility of Business.

Social Responsibility of business refers to its obligation to take those decisions and perform those actions which are desirable in terms of the objectives and values of our society.

Social Responsibility of business can be divided into four categories- Economic Responsibility, Legal responsibility, Ethical responsibility and Discretionary responsibility,

Some of the specific responsibilities and enterprise may be outlined as:

- Responsibility towards the shareholders or owners
 - Responsibility towards the workers
 - Responsibility towards the consumers
 - Responsibility towards the government and community
30. i. **Ability to take Risks:** This is the first and foremost trait of entrepreneurship. Starting any business involves a considerable amount of risk of failure. Therefore, the courage and capacity to take the said risk are essential for an entrepreneur.
 ii. **Innovation:** In a world, where almost everything has been done, innovation is a priceless gift to have. Innovation basically means generating a new idea with which you can start a business and achieve a substantial amount of

profits. Innovation can be in the form of a product, i.e., launching a product that no one is selling in the market. It can also be in the form of a process, i.e., doing the same work in a more efficient and economical way.

- iii. **Visionary:** Every entrepreneur needs to be a visionary. Without a vision for the future of his venture, he or she would just be working aimlessly without reaching any point of success.
- iv. **Leadership:** An entrepreneur has a vision. However, it takes a lot of resources to turn that vision into reality. One of these resources is the people that the entrepreneur hires to perform various functions like production, supplying, accounting, etc.

31. Following is the procedure involved in importing textile machinery from Canada:

- i. **Trade Enquiry:-** The first stage in an import transaction is to conduct enquiry and collect information about Canada which can export the required goods and then the exporter sends a reply in the form of a quotation called proforma invoice.
- ii. **Procurement of Import License:-** We will consult the Export-Import (EXIM) policy in force to know whether the textile machinery imports are subject to import licensing. In case it can be imported only against the licence, we will procure an import licence.
- iii. **Obtaining Foreign Exchange:-** As payment for imports will be made in Canadian dollars, our firm will have to make an application to a bank authorized by RBI to issue a foreign exchange.
- iv. **Placing Order:-** After obtaining the import license, our firm will place an import order or indent with the exporter for the supply of the specified products. This order is known as indent.
- v. **Obtaining a Letter of Credit:-** If the payment terms agreed between us and the overseas supplier then our firm should obtain the letter of credit from its bank and forward it to the overseas supplier.
- vi. **Arranging for Finance:-** Our firm would make arrangements in advance to pay to the exporter on arrival of goods at the port.
- vii. **Receipt of Shipment Advice:-** After loading the ordered textile machinery on the vessel, the overseas supplier will dispatch the shipment advice to our firm which contains information about the shipment of goods.
- viii. **Retirement of Import Documents:-** After shipping the machinery, the overseas supplier will prepare a set of necessary documents including bill of exchange, commercial invoice.
- ix. **Arrival of Goods:-** The officer in charge at the dock will provide the document called import general manifest on the basis of which unloading of cargo will take place.
- x. **Customs Clearance and Release of Goods:-** Textile machinery imported into India will have to pass through customs clearance.

OR

In order to promote foreign trade, the Government has set up the following institutions:

- a. **Indian Institute of Foreign Trade (IIFT):** Established in 1963 under the Societies Registration Act, the IIFT is an autonomous body responsible for the management of the country's foreign trade. It is also a deemed university that provides training in international trade, conducts research in areas of international business.
- b. **Export Inspection Council (EIC):** The EIC was established by the Government of India under Section 3 of the Export Quality Control and Inspection Act, 1963, with the objective of promoting exports through quality control and pre-shipment inspections.
- c. **Indian Institute of Packaging (IIP):** The IIP is a training and research institute established in 1966 by the joint efforts of the Ministry of Commerce of the Government of India, Indian Packaging Industry and Allied Industries. The institute caters to the packaging needs of domestic manufacturers and exporters.
- d. **Indian Trade Promotion Organisation (ITPO):** The ITPO was formed on January 1, 1992, under the Companies Act, 1956. Its main objective is to maintain close interactions among traders, industry and the government.
- e. **Department of Commerce:** The Department of Commerce is the apex body in the Ministry of Commerce of the Government of India and is responsible for formulating policies related to foreign trade as well as evolving import

and export policies for the country.

f. **State Trading Organisation:** State Trading Organisation (STC) was established in May 1956. The main purpose of STC is to promote trade, primarily export trade among different trading partners of the globe.

g. **Export Promotion Councils (EPCs):** Export Promotion Councils are non-profit institutions register under the Companies Act or the Societies Registration Act. The fundamental objective of the export promotion councils is to market and produce the nation's exports of particular products falling under their jurisdiction.

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32. a. SEBI (Securities and Exchange Board of India) is the regulatory authority in India and has issued guidelines for the disclosure of information and investor protection. Therefore, any company who wishes to invite funds from the general public must make adequate disclosure of all relevant information and must not conceal any material information from the potential investors.
- b. In case a company is not reasonably assured of a good public response to the issue, it may appoint underwriters to the issue. Underwriters undertake to buy the shares if these are not subscribed by the public. They receive a commission for underwriting the issue. Appointment of underwriters is not necessary whenever a public company wishes to raise the required funds from the public by means of the issue of shares and debentures.

OR

- a. Jagat has promoted his business organization in the form of Sole proprietorship. A sole proprietorship form of business organisation which is owned, managed and controlled by an individual who is the recipient of all profits and bearer of all risks.
- b. The four features of a sole proprietorship form of business organization are described below:
- Ease of formation and closure:** A sole proprietorship form of business organisation is not covered by a separate law. As a result, it is easy to form or close down it with minimum formalities.
 - Unlimited liability:** The liability of a sole proprietor is unlimited because in the eyes of the law the owner and his business are one and the same. Therefore, the personal assets of the sole proprietor may be utilised to settle the claims of the creditors if the business assets are insufficient to meet the debts.
 - Sole risk bearer and profit recipient:** A sole proprietor is not expected to share the gains of his business with anyone and remains the sole recipient of it and also the risk of failure of a business is borne all alone by him.
 - Lack of business continuity:** Since a sole proprietorship business doesn't have a separate legal entity the death, insolvency or insanity of the sole proprietor may adversely affect the business and lead to its closure.
33. Equity shares are the most important sources of raising long term capital by a company. They represent the ownership of a company and therefore, the capital raised by the issue of these shares is called the owner's funds.
- Features of equity shares:
- Voting Rights:** They have voting rights and hence they are the owners of the business.
 - Participation in Management:** Using their voting rights, equity shareholders get a right to participate in the company's management.
 - Return:** These shareholders do not get a fixed dividend. They get according to the earnings of the company. They receive what is left after all other claims on the company's income and assets have been settled.
 - Risk:** They enjoy the reward and also bear the risk of ownership. Therefore, it is also called risk capital.
 - Permanent Capital:** Equity capital serves as permanent capital as it is to be repaid only at the time of liquidation of a company.
 - No charge on assets of the company:** Funds can be raised through equity issues without creating any charge on the assets of a company. The assets of a company are, therefore, free to be mortgaged for the purpose of borrowings, if the need be.

- vii. **More Costly:** The cost of equity shares is generally more as compared to the cost of raising funds through other sources.
34. a. The feature of services being discussed above is 'Inconsistency'. It means unlike goods, services are not standardised. It may differ from individual to individual and is based on consumer demands and expectations. Moreover, the quality of services may also vary depending upon the approach of the service providers. The efficiency of a dedicated and committed service provider will be more.
- b. The three other features of services are:
- i. **Intangibility:** Like goodwill of a business, services are intangible in nature. They cannot be touched. Since they are purely experiential in nature the quality of services cannot be determined before consumption. Therefore, it is essential that the service providers work deliberately towards creating desired services in order to ensure that the consumer undergoes a favourable experience. For example, watching a movie should be a pleasant experience for the audience.
 - ii. **Inseparability:** The presence of the customer is required and his/her interaction with the process of providing services has to be managed. It is the simultaneous activity of production and consumption, thereby making both of them inseparable.
 - iii. **Inventory:** Unlike goods, services cannot be produced and stored beforehand. The services have to be performed as and when a consumer asks for it. Services are perishable therefore, the marketers may keep an inventory of the related goods but not the services itself. For example, a beauty salon may only keep a ready stock of accessories like a comb, water dispenser, hairdryer, scissors, etc. which are needed to provide a haircut service to a client, but the service itself cannot be stored.