

# Maharashtra State Board 11th Organisation of Commerce and Management Solutions Chapter 1 Introduction of Commerce and Business

1. (A) Select the correct option and rewrite the sentence.

Question 1.

A Lawyer is .....

- (a) a professional person
- (b) a businessman
- (c) an employee

Answer:

- (a) a professional person

Question 2.

Raw material is converted into finished product by..... industry.

- (a) genetic
- (b) extractive
- (c) manufacturing

Answer:

- (c) manufacturing

Question 3.

Actual buying and selling of goods is known as .....

- (a) profession
- (b) trade
- (c) industry

Answer:

- (b) trade

Question 4.

National level code of conduct is prepared for .....

- (a) professionals
- (b) businessmen
- (c) employees

Answer:

- (a) professionals

Question 5.

Construction of dams is an activity done under ..... industry.

- (a) primary
- (b) secondary
- (c) tertiary

Answer:

- (b) secondary

Question 6.

The problem of distance is solved by .....

- (a) bank
- (b) transport
- (c) warehousing

Answer:

- (b) transport

Question 7.

Commerce is a branch of .....

- (a) business
- (b) industry
- (c) trade

Answer:

- (a) business

Question 8.

Return in business is called .....

- (a) fees
- (b) salary

(c) profit

Answer:

(c) profit

Question 9.

A business unit depends upon ..... for selling its output.

(a) industry

(b) society

(c) employees

Answer:

(b) society

Question 10.

Warehousing creates ..... utility of goods.

(a) place

(b) time

(c) form

Answer:

(b) time

### 1. (B) Match the pairs

Question 1.

Group A	Group B
(a) Helping disabled person	(1) Social objective
(b) Genetic industry	(2) Foreign trade
(c) Local Currency	(3) Sericulture
(d) Solve social problems	(4) Non-economic activity
(e) Employment	(5) Internal trade
	(6) Mining
	(7) Profit
	(8) Economic activity
	(9) Business
	(10) Home trade

Answer:

Group A	Group B
(a) Helping disabled person	(4) Non-economic activity
(b) Genetic industry	(3) Sericulture
(c) Local Currency	(5) Internal trade
(d) Solve social problems	(1) Social objective
(e) Employment	(8) Economic activity

### 1. (C) Give one word, phrase or term

Question 1.

A regular activity concerned with production and distribution of goods and services for profits.

Answer:

Business activity

Question 2.

Human activities that are conducted for earning money.

Answer:

Economic activities

Question 3.

Buying and selling of goods against money or money's worth.

Answer:

Trade

Question 4.

Activities that remove all the difficulties in trade.

Answer:

Auxiliaries to trade

Question 5.

The type of industries that creates immovable wealth.

Answer:

Construction industry

Question 6.

Name the business activity which is concerned with production of goods and services.

Answer:

Industry

Question 7.

Name the business activity which is concerned with distribution of goods and services.

Answer:

Commerce

Question 8.

The activity which provides mobility to men and material.

Answer:

Transport

Question 9.

An aid to trade which creates time utility.

Answer:

Warehousing

Question 10.

An occupation by which a person agrees to provide expert services for fees.

Answer:

Profession

### 1. (D) State True or False

Question 1.

Business is an economic activity.

Answer:

True

Question 2.

Every profession is practiced for earning money.

Answer:

True

Question 3.

Primary industries are concerned with nature.

Answer:

True

Question 4.

Trade includes commerce.

Answer:

False

Question 5.

Warehousing removes difficulty of time.

Answer:

True

Question 6.

Trade includes buying and selling of goods and services.

Answer:

True

Question 7.

Profit leads to increase in overall efficiency of the organisation.

Answer:

True

Question 8.

Plant nursery is an example of extractive industry.

Answer:

False

Question 9.

Industry creates form utility.

Answer:

True

Question 10.

Retailer is the link between manufacturer and wholesaler.

Answer:

False

#### 1. (E) Find the odd one

Question 1.

Agriculture industry, Extractive industry, Genetic industry, Manufacturing industry.

Answer:

Manufacturing industry

Question 2.

Import trade, Export trade, Wholesale trade, Entrepot trade.

Answer:

Wholesale trade

Question 3.

Banking, Insurance, Transport, Manufacturing.

Answer:

Manufacturing

Question 4.

Tea, Milk, Coffee, Machinery.

Answer:

Machinery

#### 1. (F) Complete the sentences

Question 1.

Economic activities are those activities which are conducted to .....

Answer:

earn money

Question 2.

..... Includes marketing of goods and services.

Answer:

commerce

Question 3.

Business is an ..... activity.

Answer:

economic

Question 4.

The basic purpose to is to ..... earn profit.

Answer:

business

Question 5.  
Professional charges ..... in exchange of expert services.  
Answer:  
fees

Question 6.  
..... is the person who offers the work.  
Answer:  
employer

Question 7.  
..... is considered as a reward for assuming several business risks.  
Answer:  
profit

Question 8.  
Industry creates ..... utility.  
Answer:  
form

Question 9.  
In ..... trade, goods, are purchased and sold in bulk.  
Answer:  
wholesale

Question 10.  
..... is the link between wholesaler arid customer.  
Answer:  
Retailer

1. (G) Select the correct option

Question 1.  
(Export trade, Foreign trade, Wholesaler, Import Trade, Economic objective of business)

Group A	Group B
(i) Trade between different countries	_____
(ii) Purchase of goods and services from another country	_____
(iii) _____	Selling of goods and services to foreign customer
(iv) _____	Link between producer and retailer
(v) Spending money on Research and Development for development of business	_____

Answer:

Group A	Group B
(i) Trade between different countries	Foreign Trade
(ii) Purchase of goods and services from another country	Import Trade
(iii) Export Trade	Selling of goods and services to foreign customer
(iv) Wholesaler	Link between producer and retailer
(v) Spending money on Research and Development for development of business	Economic objective of business.

1. (H) Answer in one sentence

Question 1.

What is an economic activity?

Answer:

Activity done for earning money is an economic activity.

Question 2.

What is a non-economic activity?

Answer:

Activities are done to satisfy human wants other than monetary demands.

Question 3.

What do you mean by wholesale trade?

Answer:

Trade conducted on large scale is wholesale trade.

Question 4.

What is the meaning of retail trade?

Answer:

Trade conducted on small scale is retail trade.

Question 5.

What do you mean by import trade?

Answer:

When the goods or services are bought from other countries, to home country it is called import trade.

Question 6.

What do you mean by export trade?

Answer:

When the goods or services are sold to other countries, from home country it is called export trade.

Question 7.

What is an entrepot trade?

Answer:

Goods brought in the country from one country and sold to some other country, it is called entrepot trade.

Question 8.

What is meant by auxiliaries to trade?

Answer:

Auxiliaries to trade are the services which help the smooth conduct of trade.

Question 9.

What is trade?

Answer:

Buying and selling of goods and services is called trade.

Question 10.

What do you mean by commerce?

Answer:

Commerce is a part of business activity which is concerned with the distribution of goods and services.

Question 11.

What is primary industry?

Answer:

Industry which depends upon nature for production is called primary industry.

Question 12.

What is secondary industry?

Answer:

Industry which depends upon primary industry for production is called secondary industry.

Question 13.

What do you mean by genetic industry?

Answer:

Genetic industry means the industry engaged in reproduction and multiplication of plants.

1. (I) Correct the underlined word and rewrite the following sentences

Question 1.

Profession can be transferred to other person.

Answer:

Profession cannot be transferred to other person.

Question 2.

Capital is required for employment.

Answer:

Capital is required for business.

Question 3.

Industry creates place utility.

Answer:

Transport creates place utility.

Question 4.

Commerce represents supply side of market.

Answer:

Industry represents supply side of market.

Question 5.

The basic purpose of business is to provide services.

Answer:

The basic purpose of business is to make profit.

Question 6.

Business is non-economic activity.

Answer:

Business is an economic activity.

Question 7.

Barter exchange is an exchange with money.

Answer:

Barter exchange is an exchange with goods.

## 2. Explain the following terms/concepts

Question 1.

Business.

Answer:

1. Business is one of the economic activities.
2. Business is done to earn profit.
3. It is done by individuals or organisations.
4. Business includes all those activities done for production, processing and distribution of goods.
5. Business has a risk involved.

Question 2.

Profession.

Answer:

1. Profession is a part of economic activity.
2. A person who practices profession is called a professional.
3. A professional has to acquire particular knowledge under formal education system.
4. He practices and obtain skill in his profession. E.g. Doctors, Lawyers, Chartered Accountants, Architects etc.
5. A professional gets fees for his services.

Question 3.

Employment.

Answer:

1. Employment is an economic activity.
2. A person works for others to earn his livelihood.
3. A person who works is called an employee and a person who offers work is an employer.
4. Employee gets remuneration after certain period which is called salary or wages.

Question 4.

Home Trade.

Answer:

1. Trade means buying and selling of goods and services.

2. Trade conducted within the boundaries of the country i.e. buying and selling of goods and services within the country is called home trade or internal trade.
3. Home trade is divided into two parts; Wholesale trade and retail trade.

Question 5.

Foreign Trade.

Answer:

1. Buying and selling of goods and services is called trade.
2. Trade can be conducted within the country or with other countries.
3. Trade conducted with other countries is called foreign or external trade.
4. Foreign trade is divided into three parts; they are import, export and entrepot trade.

Question 6.

Economic Activity.

Answer:

1. Human beings are engaged in various activities throughout the day.
2. Some activities are done to earn money or livelihood.
3. These activities are called economic activities.
4. Economic activities are of three types; they are business, employment and profession.
5. Because of the economic activities a person can earn for himself and his family.
6. These activities are required for the survival of a human being.

Question 7.

Non-economic Activity.

Answer:

(i) Human activities are divided into two types – economic and non-economic activities.

(ii) Non-economic activities are those which are conducted by a person to satisfy his non monetary requirements. They include personal, social, cultural, religious activities, etc. E.g. singing, playing games, gardening etc.

### 3. Study the following case/situation and express your opinion.

*1. Jaysukh oil mills produce refined oil. The entire production is purchased by Rupesh Oil Depot, who in turn sells it to various retailers. Mrs. Prachi purchased 2kg oil from Balaji Groceries.*

Question 1.

Wholesaler

Answer:

Wholesaler – Rupesh Oil Depot

Question 2.

Retailer

Answer:

Retailer – Balaji Groceries

Question 3.

Consumer

Answer:

Consumer – Mrs. Prachi

*2. Mr. Pranav is a tin manufacturer in India. Mr. Jack of England sells goods to M/s Frank Corporation in North America and Mr. Williams of USA buys various goods from Brazil.*

Question 1.

Who is the importer?

Answer:

Importer – M/s Frank Corporation in North America, Mr. Williams in USA

Question 2.

Who is the manufacturer?

Answer:

Manufacturer – Mr. Pranav

Question 3.

Who is the exporter?

Answer:

Exporter – Mr. Jack

### 4. Distinguish between the following



Question 1.

Industry and Commerce.

Answer:

	Industry	Commerce
(1) Meaning	Industry is engaged in the production of goods and services.	Commerce looks after the distribution of goods and services.
(2) Location	Industries are located in the industrial belts which are usually away from residential areas.	Infact there is no particular location of commerce. It gives its services at any location.
(3) Utility	Industries create form utility.	Commerce creates place, time and possession utility.
(4) Resources	Industries require mainly machinery, materials and man power for production	Commerce mainly works with the help of man power.
(5) Capital	Industries require huge capital. It mainly depends upon the size of industry.	Activities of commerce comparatively require less capital.
(6) Interdependence	Industries depend on commerce for the supply of raw materials and carrying finished goods to markets.	Commerce cannot function unless supported by the goods provided by the industries.
(7) Conducted by	Manufacturers	Traders or mercantile agents
(8) Classification	Industries are divided into Primary, secondary and tertiary types.	Commerce is divided into Trade and auxiliaries to trade.
(9) Market Force	Industries represent supply side of the market.	Commerce represents demand side of markets.
(10) Status	It has primary importance.	It has secondary importance.

Question 2.

Business and Commerce.

Answer:

	Business	Commerce
(1) Meaning	It is an economic activity engaged in production and distribution of goods and services.	Commerce takes care of distribution of goods and services.
(2) Concept	Business is a wider term than business.	Commerce is a narrower term than business.
(3) Part of	Business is a part of economic activity.	Commerce is a part of business.
(4) Skill	Industries require more of technical, managerial and marketing skills.	Commerce mainly require managerial and marketing skills.
(5) Classification	Business is classified into two parts industry and commerce.	Commerce is divided into two parts trade and auxiliaries to trade.
(6) Capital	It requires large capital.	It requires limited capital.
(7) Investment	Heavy investment is required.	Less investment is required.

Question 3.

Business and Profession.

Answer:

	Business	Profession
(1) Meaning	It is an economic activity where goods and services are produced and distributed.	Profession is also an economic activity under which a person uses his knowledge and provide expect services.
(2) Nature	A person invests his capital and starts business. He may or may not have proper skill or knowledge.	A professional has to take formal training before starting his profession.
(3) Special education	Business does not require special formal education though it is advisable.	Professional is required to take formal education to practice a profession.
(4) Returns	A businessman gets profit.	A professional gets fees from clients.
(5) Registration	A businessman need not register with a particular body or association.	A professional has to register under the respective body or association eg. A Lawyer has to register himself with the Bar Council of India before carrying out his profession.
(6) Capital requirement	More capital is required to run a business. Capital is brought by a businessman.	Comparatively less capital is required to carry out a profession. The required capital is brought by a professional.
(7) Code of conduct	There is no specific code of conduct for the businessmen. They are the owners so they may form the code of conduct for their organisation.	There is specific code of conduct for a professional. This code is decided by the respective association.
(8) Examples	Manufacturer of textiles, retailer, courier service provider, etc.	Doctor, Lawyer, Architect, Chartered Accountant, etc.

Question 4.

Employment and Profession.

Answer:

	Employment	Profession
(1) Meaning	Business is an economic activity, conducted to earn remuneration.	Profession is also an economic activity under which a person uses his knowledge and provide services.
(2) Nature	A person works for other person or organisation to get his livelihood.	A professional has to take formal training before starting his profession.
(3) Special education	It depends on the nature of employment. Some type of employment requires a specific type of education. Whereas in some cases any education is acceptable.	Professional is required to take formal education to practice a profession.
(4) Returns	An employee gets remuneration in the form of wages or salary.	A professional gets fees from clients.
(5) Registration	An employee does not require registering himself with specific associations.	A professional has to register under the respective body or association eg. A Lawyer has to register himself with the Bar Council of India before carrying out his profession.
(6) Capital requirement	Employee need not invest money in the business. He does not	Comparatively less capital is required to carry out a

	require capital.	profession. The required capital is brought by a professional.
(7) Code of conduct	Employee has to follow the rules and regulations of his organisation.	There is specific code of conduct for a professional. This code is decided by the respective association.
(8) Decisionmaking	Employee has no right to take decisions in the organisations unless he is asked.	Professional can take his own decisions as he is the owner.
(9) Tenure	Every employment has a specific tenure. It means the maximum period for which an employee can remain in the employment is fixed. The employee has to retire after that period.	Professional can work throughout his life also.

#### 5. Answer in brief

Question 1.

State any four features of profession.

Answer:

Profession is a part of economic activity. A professional acquires formal knowledge to practice profession. Following are the features of profession:

(i) Qualification : A particular qualification is required to practice a profession. A professional needs to acquire knowledge through formal education. Unless he gets a formal knowledge and training, he cannot practice profession, e.g. A Doctor cannot prescribe medicines without having a degree in medicine.

(ii) Returns: A professional charges fees for the services rendered to the clients, The fees charged by a professional depends on different factors like his knowledge, experience, skill etc. His income is not fixed.

(iii) Capital : Professional requires capital to set up or run his practice. The amount of capital depends upon the nature of practice a professional wants to do.

(iv) Work Nature : A professional who is expert in a particular field, provides services in his field of expertise, eg. an architect will provide his services in the field of building houses.

Beside the above features, there are other features like-

1. Aim
2. Registration and Membership
3. Non transferability

Question 2.

State any two types of industries.

Answer:

Industries is a part of business. They look after the production of goods and services. Industries creates form utility. There are various types of industries. They can be broadly divided into three categories.

(i) Primary Industry :

These are the industries which depend on nature for their production. They include agriculture, mining, fishing, wood cutting etc. Primary industries are further divided into three types; agriculture industry, extractive industry and genetic industry.

(ii) Secondary Industry :

These are the industries which depend upon primary industries for their production. They mainly categorized as manufacturing industries and construction industries. Secondary industries use the raw materials of primary industries and convert them into finished products which is then sold in the market.

Question 3.

Give two types of Foreign Trade.

Answer:

Trade with other countries is called foreign trade. Foreign trade is of three types.

1. Import trade : When the goods or services are purchased from other countries it is called import trade,
2. Export trade : When the goods are sold to other countries, it is called export trade.
3. Entrepot trade : It is also called re-exporting. In this case goods are first brought from one country and again resale to other country, e.g. A buyer from India imports goods from France and exports them to Australia.

Question 4.

State any four auxiliaries to trade.

Answer:

Auxiliaries to trade are all those services which help in the smooth conduct of trade. There are different types of services which help trade. They are explained below.

(i) Warehousing: Warehousing helps to store the goods safely. There is a gap between the time of production and the time of consumption. Warehousing fills up this gap by conveniently storing the goods till they are demanded in the market. Warehousing, thus, creates time utility. Care is taken that the goods do not get damaged in the warehouse.

(ii) Advertising : Advertising is an important tool in the hands of a businessman to communicate to potential buyers. In today's world producer/seller is situated at one place and consumers are spread over wider area. Through advertisement, producer or seller can contact the consumers. There are different mediums of advertisement, e.g. T.V., Radio, Hoardings, Print etc.

(iii) Insurance : Business is exposed to many risks. A businessman has to be careful about the risks. Some risks can be avoided, some can be minimized and some can be transferred. Insurance is an auxiliary which helps the businessman to handle the risk. Businessman can transfer some of the risks to insurance company. Insurance company, by accepting premium from the businessman, assures him to pay compensation in case of loss.

(iv) Transport: Transport is an important auxiliary to trade. Transport carries raw materials and people to place of production and brings finished goods to markets. Thus transport creates place utility. Transport can be conducted by different modes e.g. rail, road, water or air.

Beside the above features, there are other features like-

1. Banking
2. Mercantile Agents
3. Communication

Question 5.

State any four features of employment.

Answer:

Employment is an economic activity. A person works for others to earn his livelihood.

Following are the features of employment:

(i) Aim : The main aim of person accepting employment is to earn money.

(ii) Qualification : Qualifications are required depending upon the nature of employment. Some types of work require educational qualifications, some require some specific skill, some require both. But qualifications are necessary for employment.

(iii) Monetary returns : The person who accepts employments and work for the employer gets remuneration after specific intervals. Remuneration can be wages or salary. Usually wages are paid daily or weekly and salaries are paid monthly.

(iv) Capital: Capital is not required for the person who is in employment.

Question 6.

Write any four objectives of business.

Answer:

Business is done with some objectives. These can be divided as (a) Economic objectives and (b) Social objectives. Following are the Economic Objectives:

1. Earning Profit: Business is done with the main objective of earning profit. Profit is always a motivating factor for a businessman.
2. Searching New Customers : To maximize profit a business organisation has to search new customers. It is required to expand the business. It is also important to retain the old customers.
3. Best possible use of Resources : Making best use of available resources is the objective of business. This ensures avoiding of wastage and saving valuable money. This ultimately leads to increase in profit.
4. Innovation : One of the important objectives of business is to make innovations for the development of business. Therefore research and development becomes an important part of the working of any business organisation.

Question 7.

State any four features of business.

Answer:

Business is an economic activity which is done to earn profit.

Following are the features of business:

(i) An economic activity : Business is an economic activity. Because it is done to earn profit for livelihood.

(ii) Two parties : Business is mainly concerned with the production and distribution of goods and services. It means business transactions involve exchange and in any exchange two parties are involved. Thus business involves two parties.

(iii) Profit motive: Every business is done with a motive of making profit. Therefore all the activities of business revolve around profit. A businessman is not satisfied with the profit he gets, but he tries to maximize the profit either by increasing the production or by reducing the cost. He tries to find out new customers and new markets.

(iv) Production of Goods and Services : Business includes the production of goods and services. Raw materials are used and the finished goods are produced.

Question 8.

State any two types of primary industry.

Answer:

Primary industries are those industries which depend on nature for production. Primary industries are of three types which are given below.

1. Agriculture industry: Agriculture includes cultivation of land. It is an important primary sector industry.
2. Extractive industry : Extractive industry draws out the produce from natural resources like land, river or sea etc. The products extracted are usually in raw form they are converted into finished products and sold in the market.
3. Genetic industry : Genetic industries are engaged in the reproduction and multiplication of plants and animals e.g. poultry, plant nursery, etc.

6. Justify the following statements.

Question 1.

Retailer is in direct contact with ultimate consumers.

Answer:

1. Retailer is a trader operating in the chain of distribution.
2. He deals with the ultimate consumer.
3. Retailer is the last link in the chain of distribution.
4. Goods flow from the producer to consumer in the following way:  
Producer → Wholesaler → Retailer → Consumer
5. Thus, retailer comes into direct contact with the ultimate consumer.

Question 2.

Commerce is a wider term than trade.

Answer:

1. Commerce is a part of business. Business is divided into two parts; industry and commerce,
  2. Commerce is concerned with the distribution of goods.
  3. Commerce is divided into two parts. One is trade and the other is auxiliaries to trade.
  4. Trade is concerned with buying and selling of goods and services.
  5. Trade is a part of commerce.
  6. Along with trade, commerce also includes auxiliaries or services to trade.
  7. These services help in the smooth running of trade.
- Thus, it clearly indicates that commerce is a wider term than trade.

Question 3.

Risk is inevitable in business activities.

Answer:

1. Every business is exposed to various risks. A businessman cannot avoid risks in the business.
2. These risks include goods remaining unsold due to changes in fashions, risks of losses due to fire or theft, damage to goods during transportation or warehousing, risks of bad debts, etc.
3. A businessman has to be prepared to handle these risks.
4. These risks cannot be totally eliminated. But they can be minimized or transferred to insurance company.
5. A businessman must be ready for the risks as they are inevitable.
6. Thus, risk is inevitable in business activities.

Question 4.

Combination of import-export trade is entrepot trade.

Answer:

1. Import, export and entrepot trade are the parts of foreign trade.
2. When the goods are purchased from other countries it is called import trade.
3. When the goods are sold to other countries it is called export trade.
4. A combination of import and export trade is called entrepot trade.
5. In case of entrepot trade goods are first purchased from one country i.e. imported and then sold to or exported to other country.
6. E.g. Indian trader purchased some computers from Japan and sold them to Sri Lanka will be included in entrepot trade.
7. Thus, entrepot trade is a combination of import and export trade.

Question 5.

Transport creates place utility.

Answer:

1. Transport is one of the important auxiliaries to trade.
2. Transport brings raw materials and people to the place of production and carries finished products to markets.
3. There are different modes of transport through it carries goods and people from one place to another. They are rail, road, water and air.
4. If goods are produced at one place, it may not have demand at that place only.
5. Transport carries them to other place where they are demanded and create place utility.
6. Thus, we can say that transport creates place utility.

Question 6.

Industrial activities take place before commerce starts its role.

Answer:

1. Industry and commerce are the two parts of business.
2. Both the parts are complimentary to each other.
3. One cannot function without other.
4. Industries look after the production of goods and services and commerce takes care of the distribution of the goods produced.
5. Obviously production of goods comes first and it is followed by distribution or selling of goods.
6. Thus, industrial activities take place before commerce starts its role.

Question 7.

Available resources should be used to its maximum.

Answer:

1. Resources are always scarce. The demand for resources is more and the availability of resources is less.
2. Similarly, resources belong to the society but the businesses use them for production and provide the finished products to the society.
3. So it is necessary to use the resources carefully.
4. Wastage of resources should be avoided.
5. Wherever possible, recycling and reusing the resources should be considered by the businesses.
6. Thus, whatever resources available should be used to its maximum.

Question 8.

Wholesalers is a link between retailer and manufacturer.

Answer:

1. Wholesaler and retailer are the important intermediaries in trade.
2. They help to bring the goods from the manufacturer to ultimate consumer.
3. Wholesaler is a trader who deals in large quantities i.e. the wholesaler purchases the goods in bulk from the manufacturer and sells it to retailer in small quantities.
4. Both the wholesalers and retailers are the part of chain of distribution, which is shown below.  
Producer → Wholesaler → Retailer → Consumer
5. Thus, it is true that wholesaler is the link between the manufacturer and retailer.

Question 9.

Business is a part of economic activities.

Answer:

1. Economic activities are those activities which are done with the intention of making money.
2. A person has to earn money for his livelihood.
3. However all economic activities are not same. They can be conducted mainly in three different ways.  
(a) Employment (b) Profession and (c) Business.
4. Business is conducted to earn profit.
5. businessman invests his own capital, takes decisions and carries out business activities.
6. He also takes risk for carrying business activities.
7. Thus, a businessman is responsible for the business activities. The profit earned is enjoyed by the businessman. So business is a part of economic activity.

Question 10.

Changing fashions is one of the important causes of business risk.

Answer:

1. Business is exposed to various kinds of risk.
2. The risks can be due to the loss of goods by fire or theft, bad debts, changes in government policies, goods remaining unsold etc.
3. Goods remaining unsold due to changes in fashion, is also an important type of risk in the business.
4. Due to this risk businessman can suffer loss.
5. However this risk is there in case of some goods only e.g. clothes, footwear, jewellery, accessories, sun glasses etc.
6. This risk is not there in case of food grains or vegetables as they are essentials and their demand remains somewhat constant.
7. Thus, changes in fashion is an important risk in the business.

7. Answer the following questions

Question 1.

What do you mean by commerce ?

Answer:

Commerce involves distribution of goods and services. Commerce is a part of business. Business is divided into two parts. They are (i) industry and (ii) commerce. Industries are concerned with the distribution of goods and commerce does the distribution of those goods in the market. Commerce helps in bringing the goods from the manufacturer to consumer by making uninterrupted flow of goods.

Commerce includes main two activities – (i) Trade and (ii) Auxiliaries to trade.

(i) Trade means buying and selling of goods and services. Any buying and selling is included in trade. It can be industrial goods, consumer goods or buying and selling of services, etc.

(ii) Auxiliaries of trade are all those supportive services which help in the smooth conduct of trade. They include transport, banking, insurance, advertising, etc.

Question 2.

What is the meaning of export trade?

Answer:

Trade is divided into two parts, (i) Home trade and (ii) Foreign trade. Home trade is a trade conducted within the country where as foreign trade is trade with other countries. When the goods are purchased from and sold to other countries it is included in foreign trade.

Foreign trade is divided into three parts, (i) Import trade, (ii) Export trade and (iii) Entrepot trade. In case of export trade goods are sold to other countries e.g. A garment trader from India selling his garments to England will be included in export trade. Export trade plays an important role in the economy of any country, It helps a country to get valuable foreign exchange for the country, It also helps to enhance the reputation of the country in the foreign market.

Question 3.

State the role of auxiliaries to trade in trading activities.

Answer:

Role of auxiliaries to trade:

1. Auxiliaries to trade are all the services which help trade.
2. Trade means buying and selling of goods. However buying and selling is not possible unless it is supported by different services which will make the trade easy.
3. There are different auxiliaries or services which support buying and selling. They are : transport, warehousing, banking, insurance, advertising, etc.
4. These services help the trader as well as the buyers. They remove the hindrances in the process of distribution and ensure smooth flow of goods from the manufacturer to consumer.
5. In modern world, the manufacturers and' consumers stay away from each other. It becomes very difficult for the manufacturer to contact the buyers and sell goods directly to them.
6. In this regard auxiliaries to trade help in establishing a link between the manufacturer or seller to consumer.

Question 4.

What are the different types of secondary industries?

Answer:

Secondary industries are those which depend upon primary industry for production. Secondary industries take raw materials from primary industries and carry out their production.

Secondary industries are of two types:

(i) Manufacturing industry : These industries are engaged in the manufacturing of various types of goods. They may be consumer goods or industrial goods. These industries convert raw materials into finished products. They make use of men, material and money for production. The examples of these industries include chemical industry, electronics industry, textile industry, paper industry.

(ii) Construction industry : These types of secondary industries are engaged in the construction activities such as dams, bridges, buildings, roads, tunnels etc. In case of other industries the goods are produced at one place but sold at different places. However in case of construction industry the construction takes place at one place only. Thus this industry creates immovable property.

Question 5.

State the types of human activities.

Answer:

There are various activities conducted by a person in a day. These activities can be divided into two parts.

Human Activities:

Economic activities

Non-economic activities

1. Economic activities : These activities are conducted to earn money. A human being requires money for livelihood. Economic activities are divided into three types.

- Business
- Profession
- Employment

Business is done to earn profit. Profession is done by acquiring special knowledge to provide services to people. A professional gets fees for the services rendered. Whereas when a person works for other person or" organisation to earn wage or salary, is called employment.

2. Non-economic activities : Non-economic activities are conducted by the person to satisfy their needs other than financial needs. These activities include cultural, social, religious, sports, health related etc.

Question 6.

Describe the scope of internal trade.

Answer:

Internal trade is a part of trade. It includes buying and selling of goods within the country. Internal trade is further divided into two parts.

(i) Wholesale Trade : Wholesale trade is a trade conducted on large scale. A wholesaler purchases goods in bulk from the manufacturer and sells them to the retailers. Wholesaler forms a large network through which he helps to distribute goods at distant places.

Wholesaler is an expert trader in his field. He acts as a link between the manufacturer and the retailer.

(ii) Retail Trade : Retail trade is a trade conducted on small scale. He purchases goods from the wholesalers and sells them to the consumers in required quantities. Retailer comes into direct contact with the consumers. A retailer caters to the needs of consumers by providing them various goods in whatever quantities they want.

Question 7.

How does banking and insurance help trading?

Answer:

Commerce includes trade and auxiliaries to trade. Trade means buying and selling of goods and services. But buying and selling is not possible unless it is supported by the auxiliaries of trade. Thus auxiliaries to trade are the services which help trade. Banking and insurance are two important auxiliaries to trade.

(i) Banking : Banking services help traders in many ways. Branches of banks are spread over wider areas. Traders can open an account in bank and take the advantage of various banking services. Banks offer loans, overdrafts, transfer of money, letter of credit, foreign exchange facilities to the traders.

(ii) Insurance : There are various kinds of risks in the business. A businessman can transfer some risks on the insurance company. Goods can be destroyed by fire, theft or damaged in transportation. The businessman can transfer these risks on the insurance company. He has to pay premium to the insurance company and make a contract with the insurance company. In case of loss, insurance company pays compensation to the trader.

(iii) Thus, the risks cannot be avoided completely but can be minimized by taking insurance policy.

8. Answer the following in details.

Question 1.

Give comparative analysis of business, profession and employment.

Answer:

Business, profession and employment are the part of economic activities. These activities are conducted to earn money. However the



nature of all the three activities is different. A comparative analysis of all the three activities is given below:

Ans.	Point	Business	Profession	Employment
(1)	<b>Meaning</b>	Business is an economic activity, conducted to earn profit.	Profession is also an economic activity under which a person uses his knowledge and provide services.	Employment is an economic activity, conducted to earn remuneration.
(2)	<b>Nature</b>	A person invests his capital and starts business. He may or may not have proper skill or knowledge.	A professional has to take formal education and training before starting his profession.	A person works for other person or organisation to get his livelihood.
(3)	<b>Formal Education</b>	A businessman may or may not take formal education. It is not required.	Formal education is a must for a professional to enter into profession.	It depends upon the type of employment whether a specific formal education is required.
(4)	<b>Returns</b>	A businessman gets profit from business.	A professional gets fees for the services rendered.	An employee gets remuneration in the form of wage or salary.
(5)	<b>Capital requirement</b>	More capital is required to run a business. Capital is brought by a businessman.	Comparatively less capital is required to carry out a profession. The required capital is brought by a professional.	Employee need not invest money in the business. He does not require capital.
(6)	<b>Registration</b>	A businessman need not register with a particular body or association. But it is always better for the businessman to get the membership of the associations like Chamber of Commerce.	A professional has to register under the respective body or association e.g. A Lawyer has to register himself with the Bar Council of India before carrying out his profession.	An employee does not require registering himself with specific associations.
(7)	<b>Decision Making</b>	Businessman is free to take his decisions.	Professional can take his own decisions as he is the owner.	Employee has no right to take decisions in the organisations unless he is asked.
(8)	<b>Code of Conduct</b>	The businessman is the owner of the business. he may for his own code of conduct for his business.	There is specific code of conduct for a professional This code is decided by the respective association.	Employee has to follow the rules and regulations of his organisation.
(9)	<b>Risk</b>	Risk is involved in every business.	Limited risk is involved in case of self employed professionals.	Risk is involved as long as the job continues.
(10)	<b>Commencement</b>	It can be started after completing certain legal formalities	It can be started after receiving certificate of practice.	It can be started after receiving specific qualifications
(11)	<b>Transfer of Ownership</b>	It can be transferred to another person with necessary legal formalities	It cannot be transferred to any one else as certain qualification and training is must.	It cannot be transferred from one person to another.
(12)	<b>Examples</b>	Builder, Grocery Shop, Shopping mall, etc.	Doctor, Architect, Lawyers, etc.	Receptionist, Clerks, etc.

Question 2.

Define business. Explain its features.

Answer:

Business is a part of economic activities. Business is done to earn profit. It is done by an individual or a group of individuals. Business can be defined in many ways by thinkers. Some of them are given below:

Prof. Haney : " Business activities are all those activities which are directed towards the production and processing of wealth".

Prof. Pride, Huges and Kapoor: "The organised efforts of individuals to produce and sell for a profit, the goods and services that satisfy society's needs".

The term business also refers to the organised efforts and activities of individuals to produce and sell goods and services for profit.

Following are the features of business:

1. Continuity in Dealings : Continuity is most important in case of any business. Business requires regularity. Business activity should be carried on for a Longer time. A transaction carried on only for one time or few times cannot be called as a business activity, e.g. Sale of own old motor car cannot be considered as a business activity.

2. Uncertain Returns : The returns in any business are not fixed. They are uncertain and fluctuating. The profit of business is not fixed or guaranteed.

3. Risk Element: Business is exposed to many risks. These risks arise out of some unforeseen circumstances or wrong decisions or misjudgements of the businessman. A businessman cannot avoid the risks but he can minimize the risks by taking proper steps. Some risks can be transferred to insurance company.

4. Satisfaction : Customer is an integral part of any business activity. Without a customer there cannot be buying or selling. Businesses need customers to fulfil their monetary objective and therefore customer satisfaction is the most important part of any business activity. Modern thinking on business gives top most priority to customer satisfaction. If the customers are satisfied, there will be more sale and profit to the business.

5. Two Parties : Business includes production and distribution. Every business transaction involves exchange. For carrying out any exchange two parties are required. These two parties are the seller and the buyer. There is an oral or written agreement between the buyer and the seller to buy or sell the goods or services.

6. Economic Activity : Business is an economic activity. The intention of carrying out any business is to earn money. Business is not conducted for satisfying sentimental needs of a person. Business activity is purely monetary.

7. Profit Motive : Business is basically conducted to earn profit. Every businessman tries to get maximum profit out of the business. Profit is required for the businessman to earn the livelihood and also for the survival of the business. It is also required for the expansion of business. Thus profit plays a vital role in business.

8. Production of Goods and Services :: Business has two aspects. One is production of goods and services and distribution of them. Goods are produced by the industries. Providing of services also form an important part of business activities.

9. Exchange of Goods and Services : Goods and services are exchanged for money or money's worth. It is a business activity as there is a seller and a buyer and they exchange goods or services for a value. In modern days almost all the transactions are carried out with money as a medium of exchange. In case of very few transactions, goods are exchanged for goods.

10. Dealings in Goods and Services : In case of business, goods or services are bought and sold. There cannot be business without the exchange of goods or services. Goods can be consumer goods or industrial goods. Services are of different types like banking, insurance etc. Services are also exchanged for a value.

### Question 3.

Describe various objectives of a business.

Answer:

Business is an economic activity which includes production and distribution of goods and services. Business is done to get profit. Even though business is done with the intention of making profit, that is not the only objective of the business. There are other objectives of business.

The objectives of business are explained below:

#### A. Economic Objectives:

(i) Searching of New Customers : Business needs expansion. So that it can earn more profit. Therefore searching new customers or new markets becomes an important economic objective of business.

(ii) Earning Profit: Making profit always becomes the main economic objective of any business.

(iii) Best possible Use of Resources : It is the responsibility of any businessman to make proper use of available resources. It is because resources are limited and the demand for resources is more. When a businessman uses resources carefully and economically, he can save his money. It will ultimately result in the increase of profit.

(iv) Innovation : Business needs change according to current situation. New products, new processes should be found out to remain in the competition in the market. Then only a business can survive and continue making profit. Therefore making innovations is one of the economic objectives of the business.

#### (B) Social Objectives:

Following are the social objectives:

(i) Contributing to the Welfare of the Society : Social objectives include the working for the betterment of the society in general. It is the responsibility of the business to work for the welfare of the society by carrying out social welfare programmes.

(ii) Avoiding Unfair Trade Practices : Unfair trade practices are those practices which are not advisable in business. They include black marketing, hoarding, adulteration, wrong representation, false advertisements etc. Unfair trade practices make adverse effect on the business. Therefore one of the important social objective of business is to keep itself away from such practices.

(iii) Supplying Quality Products : It is the social objective of business, to provide quality products to the customers. Customer is the important part of any business. Without customers, a business cannot function. Therefore it is the responsibility of the business to provide safe, non adulterated, durable products to the customers.

(iv) Help to Solve Social Problems : In modern world many social problems are occurring in the society. Business is a part of the society and therefore one of the social objectives of business is to help solving the social problems.

(v) Employment Generation : A business can provide employment to many people. It becomes the social objective of the business to generate more and more employment. This will help to reduce the problem of poverty and unemployment.

(vi) Welfare of Employees : Employees is an integral part of any organisation. Business cannot function without the employees. It is therefore the responsibility of the businessman to provide better working conditions to employees. Better working conditions help to improve the productivity of the employees.

Question 4.

Explain the importance of profit in business.

Answer:

Business is such activity which involves earning profit. Any business organisation, whether small or large, production unit or service industry; works for getting maximum profit. Profit plays a very important role in business.

The role of profit is explained below:

(i) Growth and Expansion : Profit acts as an internal source of raising funds. Business can keep aside excess profit and use it for its own expansion or diversification purpose. Expansion results into more profit, which can be used for other purposes.

(ii) Research and Development : When a business gets good profits it can spend money on research and development. Research and development helps to find out the processes that help to reduce the cost of production and provide better quality products. This helps to increase the production ultimately resulting in increase in profit.

(iii) Returns to Investors: The owner of business needs returns on the money he has invested in the business. These returns are in the form of profit. If there are good profits, the businessman gets fair returns on his investment.

(iv) Means of Livelihood : A business is mainly carried on for getting the livelihood. A result of business is profit. Thus the main role of profit is to help the businessman earn his living.

(v) Increasing Efficiency : Profit acts as a motivating factor. A businessman who is working hard for the business and gets substantial profits gets a motivation to work hard. Profit thus helps in increasing the efficiency. Similarly an employer can give good remuneration to the employees when there is good profit. This helps to increase the efficiency of the employee also.

(vi) Reward for Risks : Every business is exposed to various types of risks. A businessman has to consider these risks. As a businessman takes risks and performs business activities, buyers get the necessary commodities. The result of these business activities is profit. Profit in this case acts a reward for the risk taken by the businessman.

(vii) Survival: The most important role of profit is to help the business to carry on the activities continuously. Survival of business depends upon the continuous supply of finance. Profit enables business to continue with the uninterrupted supply of funds.

Thus profit plays a vital role in the business. Profit is an inevitable part in every business. It helps a businessman to earn his livelihood, carry on research and development activities and most importantly survival of the business