

# BUSINESS STUDIES

Textbook for Class XI



11108

विद्यया ऽ मृतमश्नुते



एन सी ई आर टी  
NCERT

राष्ट्रीय शैक्षिक अनुसंधान और प्रशिक्षण परिषद्  
NATIONAL COUNCIL OF EDUCATIONAL RESEARCH AND TRAINING

ISBN 81-7450-530-X

**First Edition**

March 2006 Phalguna 1927

**Reprinted**

October 2006 Kartika 1928

December 2007 Agrahayana 1929

March 2009 Phalguna 1930

January 2010 Magha 1931

January 2011 Magha 1932

January 2012 Magha 1933

March 2013 Phalguna 1934

November 2013 Kartika 1935

December 2014 Pausa 1936

April 2016 Vaishakha 1938

March 2017 Phalguna 1938

January 2018 Magha 1939

March 2019 Phalguna 1940

October 2019 Ashwina 1941

January 2021 Pausa 1942

**PD NTR T RSP**

© **National Council of Educational  
Research and Training, 2006**

₹ .....00

Printed on 80 GSM paper with NCERT  
watermark

Published at the Publication Division  
by the Secretary, National Council  
of Educational Research and Training,  
Sri Aurobindo Marg, New Delhi 110  
016 and printed at

**ALL RIGHTS RESERVED**

- ❑ No part of this publication may be reproduced, stored in a retrieval system or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without the prior permission of the publisher.
- ❑ This book is sold subject to the condition that it shall not, by way of trade, be lent, re-sold, hired out or otherwise disposed of without the publisher's consent, in any form of binding or cover other than that in which it is published.
- ❑ The correct price of this publication is the price printed on this page. Any revised price indicated by a rubber stamp or by a sticker or by any other means is incorrect and should be unacceptable.

**OFFICES OF THE PUBLICATION  
DIVISION, NCERT**

NCERT Campus  
Sri Aurobindo Marg  
New Delhi 110 016

Phone : 011-26562708

108, 100 Feet Road  
Hosdakere Halli Extension  
Banashankari III Stage  
Bengaluru 560 085

Phone : 080-26725740

Navjivan Trust Building  
P.O. Navjivan  
Ahmedabad 380 014

Phone : 079-27541446

CWC Campus  
Opp. Dhankal Bus Stop  
Panihati  
Kolkata 700 114

Phone : 033-25530454

CWC Complex  
Maligaon  
Guwahati 781 021  
0361-2674869

Phone :

**Publication Team**

Head, Publication Division : *Anup Kumar Rajput*

Chief Editor : *Shveta Uppal*

Chief Production Officer : *Arun Chitkara*

Chief Business Manager (In charge) : *Vipin Dewan*

Editor : *R.N. Bharadwaj*

Production Assistant :

**Cover**

*Karan Chadha*

## FOREWORD

The National Curriculum Framework (NCF), 2005, recommends that children's life at school must be linked to their life outside the school. This principle marks a departure from the legacy of bookish learning which continues to shape our system and causes a gap between the school, home and community. The syllabi and textbooks developed on the basis of NCF signify an attempt to implement this basic idea. They also attempt to discourage rote learning and the maintenance of sharp boundaries between different subject areas. We hope these measures will take us significantly further in the direction of a child-centred system of education outlined in the National Policy of Education (1986).

The success of this effort depends on the steps that school principals and teachers will take to encourage children to reflect on their own learning and to pursue imaginative activities and questions. We must recognise that, given space, time and freedom, children generate new knowledge by engaging with the information passed on to them by adults. Treating the prescribed textbook as the sole basis of examination is one of the key reasons why other resources and sites of learning are ignored. Inculcating creativity and initiative is possible if we perceive and treat children as participants in learning, not as receivers of a fixed body of knowledge.

These aims imply considerable change in school routines and mode of functioning. Flexibility in the daily time-table is as necessary as rigour in implementing the annual calendar so that the required number of teaching days are actually devoted to teaching. The methods used for teaching and evaluation will also determine how effective this book proves in making children's life at school a happy experience, rather than a source of stress or boredom. Syllabus designers have tried to address the problem of curricular burden by restructuring and reorienting knowledge at different stages with greater consideration for child psychology and the time available for teaching. The textbook attempts to enhance this endeavour by giving higher priority and space to opportunities for contemplation and wondering, discussion in small groups, and activities requiring hands-on experience.

The National Council of Educational Research and Training (NCERT) appreciates the hardwork done by the textbook development committee responsible for this book. We wish to thank the *Chairperson* of the advisory group in Social Sciences, Professor Hari Vasudevan and the *Chief Advisor* for this book, Professor Sanjay K. Jain, for guiding the work of this committee.

Several teachers contributed to the development of this textbook; we are grateful to their principals for making this possible. We are indebted to the institutions and organisations which have generously permitted us to draw upon their resources, materials and personnel. We are especially grateful to the members of the National Monitoring Committee, appointed by the Department of Secondary and Higher Education, Ministry of Human Resource Development under the Chairpersonship of Professor Mrinal Miri and Professor G.P. Deshpande for their valuable time and contribution. As an organisation committed to systemic reform and continuous improvement in the quality of its products, NCERT welcomes comments and suggestions which will enable us to undertake further revision and refinements.

New Delhi  
20 December 2005

*Director*  
National Council of Educational  
Research and Training

# TEXTBOOK DEVELOPMENT COMMITTEE

## **CHAIRPERSON, ADVISORY COMMITTEE FOR SOCIAL SCIENCE TEXTBOOKS AT THE HIGHER SECONDARY LEVEL**

Hari Vasudevan, *Professor*, Department of History, University of Calcutta, Kolkata

## **CHIEF ADVISOR**

Sanjay K. Jain, *Professor*, Delhi School of Economics, University of Delhi, Delhi

## **MEMBERS**

Anand Saxena, *Reader*, Deen Dayal Upadhyaya College, University of Delhi, Delhi

Davinder K. Vaid, *Professor*, DESSH, NCERT, New Delhi

Garima Gupta, *Lecturer*, PGDAV College, University of Delhi, Delhi

G.L. Tayal, *Reader*, Ramjas College, University of Delhi, Delhi

J.K. Parida, *Professor*, Department of Commerce, Utkal University, Bhubaneswar, Odisha

K.V. Achalapati, *Professor and Head*, Department of Commerce, Osmania University, Hyderabad

M.M. Goyal, *Reader*, PGDAV College, University of Delhi, Delhi

M. Usha, *Associate Professor*, University College of Commerce and Business Management, Osmania University, Hyderabad

Pooja Dasani, *PGT*, Convent of Jesus and Mary School, Gol Dakkhana, New Delhi

Shailendra Nigam, NIILM Centre for Management Studies, Sher Shah Suri Marg, New Delhi

## **MEMBER-COORDINATOR**

Minoo Nandrajog, *Reader*, DESSH, NCERT, New Delhi

# **THE CONSTITUTION OF INDIA**

## **PREAMBLE**

**WE, THE PEOPLE OF INDIA**, having solemnly resolved to constitute India into a <sup>1</sup>**[SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC]** and to secure to all its citizens :

**JUSTICE**, social, economic and political;

**LIBERTY** of thought, expression, belief, faith and worship;

**EQUALITY** of status and of opportunity and to promote among them all;

**FRATERNITY** assuring the dignity of the individual and the <sup>2</sup>[unity and integrity of the Nation];

**IN OUR CONSTITUENT ASSEMBLY** this twenty-sixth day of November, 1949 do **HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION.**

1. Subs. by the Constitution (Forty-second Amendment) Act, 1976, Sec.2, for "Sovereign Democratic Republic" (w.e.f. 3.1.1977)
2. Subs. by the Constitution (Forty-second Amendment) Act, 1976, Sec.2, for "Unity of the Nation" (w.e.f. 3.1.1977)

## **ACKNOWLEDGEMENTS**

The National Council of Educational Research and Training acknowledges the valuable contributions of the Textbook Development Committee which took considerable pains in the development and review of manuscript as well.

Thanks are due to Savita Sinha Professor and Head, Department of Education in Social Science for her guidance and constant support at every stage of the textbook development process. The textbook has been reworked and updated at appropriate point of time in the context of recent development in business scenario, and the Companies Act 2013. The contribution of practicing teachers of Business Studies is also duly acknowledged for developing e-resources for QR codes.

The contribution of APC Office, Administration, Publication Division, and Secretariat of NCERT are also duly acknowledged for bringing out the updated textbook of Business Studies.

## NOTE TO THE TEACHER

As you read through this textbook you will develop an understanding of the environment in which a business operates. The textbook discusses emerging modes of business in the context of entrepreneurship development, ethics in business and corporate social responsibility, small scale industries, intellectual property rights, goods and services tax and many other contemporary issues in the conduct of internal and internal business scenarios. Due emphasis is laid on entrepreneurship and innovation in unorganised sector along with content from corporate world. This will enable the learners observant of their immediate surroundings and business environment.

You will find additional reading material, interactive activities, stories of innovation and entrepreneurship, etc., as enrichment material for self learning. You will find newer e-resources under embedded QR codes (accessed via *e-pathshala app*) at various intervals.

The textbook is updated in the light of The Companies Act 2013, and the content is modified in accordance to new provisions of the Act 2013 in respective chapters.



# CONTENTS

FOREWORD	iii
NOTE TO THE TEACHER	viii
<b>PART I FOUNDATIONS OF BUSINESS</b>	<b>1</b>
<b>CHAPTER 1</b> Business, Trade and Commerce	2
<b>CHAPTER 2</b> Forms of Business Organisation	26
<b>CHAPTER 3</b> Private, Public and Global Enterprises	57
<b>CHAPTER 4</b> Business Services	79
<b>CHAPTER 5</b> Emerging Modes of Business	113
<b>CHAPTER 6</b> Social Responsibilities of Business and Business Ethics	139
<b>PART II CORPORATE ORGANISATION, FINANCE AND TRADE</b>	<b>157</b>
<b>CHAPTER 7</b> Formation of a Company	158
<b>CHAPTER 8</b> Sources of Business Finance	178
<b>CHAPTER 9</b> MSME and Business Entrepreneurship	204
<b>CHAPTER 10</b> Internal Trade	221
<b>CHAPTER 11</b> International Business	252
<b>FORM No. INC-1</b> Application for reservation of Name	295

# CONSTITUTION OF INDIA

## Part III (Articles 12 – 35)

(Subject to certain conditions, some exceptions and reasonable restrictions)

guarantees these

## Fundamental Rights

### Right to Equality

- before law and equal protection of laws;
- irrespective of religion, race, caste, sex or place of birth;
- of opportunity in public employment;
- by abolition of untouchability and titles.

### Right to Freedom

- of expression, assembly, association, movement, residence and profession;
- of certain protections in respect of conviction for offences;
- of protection of life and personal liberty;
- of free and compulsory education for children between the age of six and fourteen years;
- of protection against arrest and detention in certain cases.

### Right against Exploitation

- for prohibition of traffic in human beings and forced labour;
- for prohibition of employment of children in hazardous jobs.

### Right to Freedom of Religion

- freedom of conscience and free profession, practice and propagation of religion;
- freedom to manage religious affairs;
- freedom as to payment of taxes for promotion of any particular religion;
- freedom as to attendance at religious instruction or religious worship in educational institutions wholly maintained by the State.

### Cultural and Educational Rights

- for protection of interests of minorities to conserve their language, script and culture;
- for minorities to establish and administer educational institutions of their choice.

### Right to Constitutional Remedies

- by issuance of directions or orders or writs by the Supreme Court and High Courts for enforcement of these Fundamental Rights.