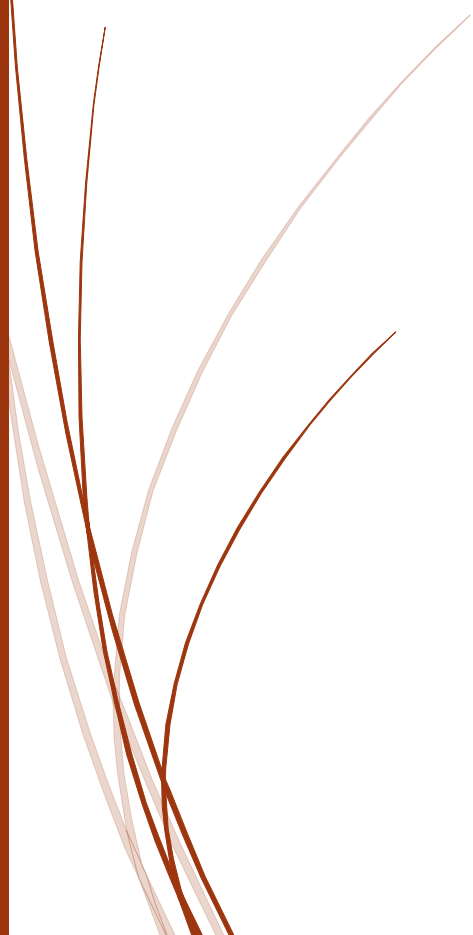


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Business Studies-Class XI

Class XI

PART- I&II



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CHAPTER 1

Business, Trade and Commerce

VERY SHORT ANSWER TYPE QUESTIONS :

1. List any five major commercial cities of ancient India ?

Solution:- Commercial cities of Ancient India are given below:

1. Pataliputra
2. Taxila
3. Indraprastha
4. Mohenjo-Daro
5. Mathura

2. What is Hundi?

Solution:-Hundi is a financial instrument that was developed in Medieval India to carry out transactions related to trade and credit. It is an unconditional order in writing made by a person directing another to pay a certain sum of money to a person named in the order. It is capable of being changed through transfer by valid negotiation.

3. List the major exports and imports in ancient India?

Solution:-Items exported from India were spices, wheat, sugar, indigo, opium, cotton, parrot, sesame oil, live animals, animal products such as hides, skin, horns, furs, tortoise shells, and other materials like sapphires, pearls, quartz, crystal, lapis, granites, lazuli, turquoise and copper.

Items imported into India were horses, animal products, Chinese silk, flax and linen, wine, glass, gold, silver, tin, lead, copper, rubies, coral, amber, etc.

4. What were the different types of Hundi in use by traders in ancient times?

Solution:-Types of hundi are as follows:

1. Shah Jog Hundi: Payable to a respectable man
2. Jokhmi Hundi: It is a type of hundi which is applicable to goods transported by ship

3. Nam Jog Hundi: Payable to the named party or his order
4. Dhani Hundi: Payable to the owner of hundi
5. Jawabi Hundi: A type of hundi that resembles a money order.
6. Darshani Hundi: Payable on sight
7. Miadi Hundi or Muddati Hundi: Hundi that is payable after a specified period of time

5. What do you understand by maritime trade?

Solution:-A kind of trade that involves the transportation of goods by sea using ships as the primary medium is called maritime trade. There are specific regulations for this kind of trade as there is risk involved in transporting goods by sea.

6. State the different types of economic activities?

Solution:-Various economic activities are as follows:

1. Profession: These are activities that require specialised skills and knowledge, and people involved in these are known as professionals.
2. Employment: It is the type of economic activity where people get paid for the service they provide, and they are known as employees.
3. Business: It is the economic activity that deals with the trading of goods and services with a motive to earn profit.

7. Why is business considered an economic activity?

Solution:-Business is said to be an economic activity as the sole purpose of starting a business is to earn a livelihood and also make a profit from the activity. Hence, it is considered to be an economic activity.

8. State the meaning of business.

Solution:-Business is the occupation where people engage themselves in activities that are related to purchase or production and sale of goods and services with the sole purpose of earning profit, and therefore produce or sell goods and services that are in demand.

9. How would you classify business activities ?

Solution:-Business activity can be classified as follows:

1. Industry
2. Commerce

Industry: It involves activities that are concerned with the processing of raw materials to shape them into the final product. The role of an industry is to provide value to the raw material so that it can be consumed by the end users (consumers). Industries are classified as primary, secondary and tertiary based on the functions they perform.

Commerce: It is mainly concerned with trading and related activities. It includes the exchange of goods and services. Commerce deals with two types of activities: trade and auxiliaries to trade. When goods are bought and sold, it is referred to as trade, and auxiliaries to trade involve activities that include banking, transportation, advertising, and communication. Commerce provides the necessary link that needs to exist between producers and consumers.

10. What are the various types of industries ?

Solution:-Industries can be broadly categorized into three types:

1. **Primary Industries:** These types of industries focus on getting raw materials; examples are mining, fishing and farming.
2. **Secondary Industries:** Such industries mainly involve the manufacturing of goods from raw materials and include the automobile, steel and electronics industry.
3. **Tertiary Industries:** These industries provide services and support to primary and secondary industries with activities related to trade.

11. Explain any two business activities which are auxiliaries to trade ?

Solution:-Activities that facilitate the exchange of goods and services are referred to as auxiliaries to trade. Two examples are given below:

1. **Banking and Finance:** Funds are necessary for acquiring assets, purchasing raw materials and meeting other expenses. These funds can be obtained from a bank. Therefore, banking helps business activities to meet the required funds.
2. **Advertising:** It is an important component of marketing that involves the promotion of products, and accurate promotion helps reach potential viewers, which will result in sales.

12. What is the role of profit in business ?

Solution:-Profit is the only purpose for which business is done. Without profit, a business will not sustain itself for a long time. For a business to operate on a regular basis, a part of the profit needs to be reinvested. It helps in the growth of the business. The role of profit in a business is that it is necessary for the expansion of the business.

13. What is business risk? What is its nature ?

Solution:-Business risk refers to the possibility of earning inadequate profits or sustaining losses due to unforeseen or unexpected circumstances. It can happen when the demand for a particular product decline due to increased competition or changes in customer preferences.

The nature of business risks are:

1. Profit related to risk: Profit is obtained as a reward for the risk taken in business.
2. Degree of risk taken depends upon the scale of operation of the business.
3. Risk is an essential part of any business.
4. Business risk arises due to uncertainties in business.

LONG ANSWER TYPE QUESTIONS :

1. Discuss the development of indigenous banking system in Indian subcontinent ?

Solution:-The indigenous banking system played a prominent role in lending money and also in financing domestic and international trade with the help of currency and later with letter of credit. As the banking system developed, people began depositing precious metals with individuals who were known as Seths. Money became the means that manufacturers could use to produce more goods. Later, documents in the form of Hundi and Chitti were used for carrying out monetary transactions. In ancient India, intermediaries played a prominent role in trade promotion. The financial security offered by them helped in taking risks in foreign trade. The institutions such as of Jagat Seth also exercised great influence during the period of the Mughals and later in the time of the East India Company. The availability of loans and the rise in credit transactions helped in the growth of commercial establishments.

India enjoyed a great balance of trade, with exports holding the upper hand in comparison to imports. This system helped manufacturers, traders and merchants get funds for expansion and development. Industrial and commercial banks evolved to become institutions that financed trade and commerce, and agriculture banks provided short and long-term loans to finance those involved in agriculture activities.

2. Define business. Describe its important characteristics ?

Solution:- Business is the occupation where people engage in activities related to the purchase or production and sale of goods and services with the sole purpose of earning a profit, therefore producing or selling goods and services that are in demand.

Characteristics of business are given below:

1. Business is considered to be an economic activity as the sole purpose of starting a business is to earn profit.
2. Business deals with procuring raw materials and converting them into finished products and selling to consumers.
3. The sustainability and future growth of a business are determined by the profit it is earning.
4. Business involves the exchange of goods and services using a common medium, i.e., money.
5. Any business, whether small or big, will face business risks.
6. There will be uncertainty of returns as the business may incur loss or gain profit.

3. Compare business with profession and employment ?

Solution:-

Basis of comparison	Business	Profession	Employment
Mode of Establishment	Entrepreneur's decision and other legal formalities, if felt necessary	Certificate of practice and a membership of a professional body	Service agreement and appointment letter
Nature of Work	Providing goods and services to public	Providing expert and personalized services	Working as per rules of service or service contract
Risk involved	Uncertain risk is there as profit and loss cannot be determined beforehand	Some risk can be there	Little or no risk

Transfer of ownership	It can be transferred by following certain formalities.	No transfer possible as degree and certification received for self	No transfer possible
Reward or remuneration	In the form of profit	In the form of fees for consultation	In the form of a salary
Code of conduct	There is no code of conduct as such	Professional code of conduct must be followed	Code of conduct as per rules of the organisation
Qualification	No minimum qualification required	Qualification as prescribed by the awarding body	Qualification and training as per the employer's direction

4. Define industry. Explain various types of industries giving examples ?

Solution:- Industry refers to the economic activities that convert resources into useful goods. It involves the use of machines and technical skills, which are used for producing a variety of goods, breeding animals, etc. There are three types of industries:

1. Primary Industries: These types of industries deal with products that are obtained from natural sources. The main purpose of such industries is to convert raw material into a consumable form. Examples of such industries are farming, hunting, mining, and fishing industries. Primary industries can be classified into two types based on the activities performed.

a. Extractive Industries: These industries deal with products that need to be refined so that they can be used in other industries. Examples are mining and fisheries.

b. Genetic Industries: These industries deal with breeding plants and animals and using them for further use.

2. Secondary Industries: These industries deal with the manufacturing of products; they acquire raw materials and convert them into goods to which further value can be added. Such types of industries can be categorised as follows:

a. Manufacturing Industries: Here, the raw materials get converted into finished products to become readily usable, such as petroleum, wax obtained from mineral oil, etc.

b. Synthetic Industries: These combine raw materials to form a new product. An example is the cosmetic industry.

c. Processing Industries: Here, the raw material is processed and purified in order to arrive at a final product. Examples are the paper and sugar industries.

d. Assembling Industries: Combining various components in order to arrive at the final product is the speciality of assembling industries. Examples are the electronics industry, automobile companies and construction companies.

3. Tertiary Industries: These industries serve as the facilitator of primary and secondary industries. These industries are mainly involved in providing service to the industries; examples are baking and transportation.

5. Describe the activities relating to commerce ?

Solution:- There are two types of activities in commerce: (i) trade and (ii) auxiliaries to trade.

Buying and selling of goods is called trade, whereas auxiliaries to trade involve activities such as banking, communication, transportation and advertising. Commerce enhances the link between consumers and producers.

1. Banking and Finance: It is one of the most important requirements to run any business. Without finance, the free movement of goods is restricted. A banking arrangement helps in the availability of credit to traders, thus acting as an auxiliary to trade.

2. Warehousing: It refers to storing of goods till the time it is ready to be transported. Warehousing ensures proper storage and facilitates the easy availability of goods.

3. Transportation: It helps producers in purchasing goods and other necessary items from different places and selling them in different areas. It helps in the buying and selling of goods.

4. Advertising: Advertisements through various channels, such as radio, TV, etc., help in reaching the information to the audience and increasing sales.

5. Insurance: There will be risks in business, and to cover against them, you need to get insured.

6. Explain any five objectives of business ?

Business objectives can be discussed as follows:

- 1. Maximum Profit:** The only motive for doing business is to earn a profit. Growth prospects can be determined by the capacity to earn profits. The profit earned can be reinvested to earn higher growth.
- 2. Market Share:** A business will have competition, and by staying ahead of competitors, a business develops a market share. Maximum market share can be captured by providing quality products at reasonable prices.
- 3. Worker performance:** A business will perform at its best if the workers are motivated and satisfied. It requires a healthy working environment for the workers to make a great contribution.
- 4. Innovation:** Innovation is the key to cutting down costs while improving performance, and by doing this, a business can stay ahead of its competitors.
- 5. Social Responsibility:** A business has certain responsibilities towards society, including removing poverty, unemployment, pollution, etc. Fulfilling those responsibilities helps a business to earn goodwill.

7. Explain the concept of business risk and its causes ?

Solution:-Business risk refers to the possibility of earning inadequate profits or losses due to unforeseen or unexpected circumstances. It can happen when the demand for a particular product decline due to increased competition or changes in customer preferences. It is very difficult to determine customer preferences as they are subject to change.

Business risk is of two types, namely pure business risk and speculative business risk.

- 1. Pure Business Risk:** In this type of risk, there is a chance of loss or no loss whatsoever. Such risks can be associated with theft, various natural calamities and fire.
- 2. Speculative Business Risk:** In this type of risk, there is an equal chance of earning profit or incurring loss. Such type of risk arises due to changes in government policy, competitor's policy, price change or a change in consumer preferences.

Business risk is caused due to the following as discussed below:

- 1. Economic Causes:** These types of business risks arise due to the uncertainty surrounding the changes in the policies of competitors, price changes or changes in the preferences of consumers.

2. Natural causes: Natural calamities, such as floods, earthquakes, and famine can cause extensive loss to a business. Such risks are beyond our control.

3. Human causes: These are caused by negligence on the part of humans, like carelessness, riots, and strikes.

4. Other causes: Some events are unpredictable, such as political disturbances and interest and exchange rate fluctuations.

8. What factors are to be considered while starting a business? Explain.

Solution:- It is common for a business to check all the aspects before starting operations. Here are some of the important points to consider:

1. Line of Business: This helps determine the line of business, as it will help boost confidence.

2. Scale of business: This determines the scale on which the business will be run.

3. Location: The location for setting up a business requires considering factors such as cheap labour, availability of raw materials, good transportation facilities, sufficient power and infrastructural facilities.

4. Finance: Business is impacted in every step by finance – from purchasing raw materials to machinery and then the further investments needed for growth. Therefore, raising funds is necessary for business.

5. Efficiency of Workforce: A trained workforce is a prerequisite to carrying out different business activities; therefore, identifying a skilled workforce is a must before starting a business.

6. Physical requirements of business: These include the tools, machinery and technology that increase business efficiency. So it should be chosen as per the nature and scale of the business.