



IV. Higher Order Thinking Skills (HOTS)

Question 1. “Earning of profits is the main objective of a business and other objectives are there to aid it only.” Do you agree? Justify your answer.

Answer: It is incorrect to assume there can be only one objective of a business. Peter F. Drucker remarked, “To Manage a business is to balance a variety of needs and goals. And this requires multiple objectives.” Thus, the management of a business must set objectives, in every ‘key area’ that influences its survival and growth. Peter F. Drucker has suggested eight key areas where objectives must be set. These are discussed below:

1. Market standing: It refers to the market position of a business in relation to its competitors, e.g. position of ‘Liberty’ against that of ‘Bata’. A dynamic enterprise must aim at increasing its market standing by offering better products at competitive prices and winning permanent customers.
2. Innovation: It means the introduction of new products, new uses of existing products, or new methods of production. Innovations are essential for a business enterprise to grow in the competitive world. For example, LG introduced door cooling technology in refrigerators.
3. Productivity: It is the ratio between output and inputs in the production process. Productivity is often used as an indicator of the efficiency of an organization. More productivity will lead to reduced cost of production.
4. Employee satisfaction: An organization must also aim at moulding the attitudes of employees so that they may contribute better towards organizational goals. It is also important to provide such working conditions to employees that they feel satisfied in working with and for the organization.
5. Resources—Physical and financial: A business enterprise requires many physical and financial resources. A business must aim at procuring these resources.
6. Managerial performance: A team is entrusted with the tasks of planning, organizing, staffing, directing and controlling which is called management. Management needs to set targets in the areas of planning, organizing, staffing, directing and controlling and also overall targets for the development of the organization.
7. Social responsibility: A business is a part of society. There are some responsibilities of business towards society like generating employment, using eco-friendly methods of production, etc. I must fulfill these responsibilities.
8. Profitability: Consider all the above objectives. They are either not possible to be attained without profits like consumer wants good quality. So for market standing we need to provide good quality product which can be provided only when we have enough profits. Similarly, employees want good monetary and non-monetary benefits which are dependent on profits. Some other objectives contribute towards higher profits like innovation and managerial performance. Therefore, we can conclude that the main aim of a business is

to earn profits and other aims are either an outcome of the profits or profits are not possible without these.

Question 2. "Risk is the element which makes the business different from other economic activities." Do you agree? Justify your answer.

Answer: All economic activities are divided into three categories.

1. Employment
2. Profession
3. Business.

1. Employment is a contract between employer and employee whereby the employee agrees to work on pre-fixed terms and conditions for an employer for a fixed wage or salary. There is no risk associated with employment as wages or salary is pre-fixed.
2. Profession includes those activities, which are requiring special knowledge and skill to be applied by individuals in their occupation to earn fees. A professional also takes a minimal risk of whether he will get clients or not.
3. Business refers to those economic activities, which are connected with production, purchase and sale of goods or supply of services with the main object of earning profit. Since there is no pre-determined contract, return which is profit, is not fixed. There may be profits in millions or there may be a heavy loss.

Therefore, business as an economic activity is different from other economic activities mainly due to profit. However, there are other differences as well. For example, a business man does not need specific qualifications as required in a profession. A businessman has relative more freedom than a person who is employed or is a professional.

V. Value Based Questions

Question 1. "Economic and non-economic activities don't substitute, but complementary to each other." Do you agree? Explain.

Answer: Yes, we agree. Economic activities are undertaken with an economic motive, i.e., to earn money, but non-economic activities are undertaken without any economic purpose. For example, when our parents go to office or workplace, it is an economic activity, but when a mother cooks food for their children, we do some donations, we get pocket money, we take a bath, and these are non economic activities. But these activities cannot take place unless and until we have money to support them.

No one can work without getting a sound sleep, while sleeping is a non-economic activity. Similarly, bathing is a non-economic activity, but it is compulsory to be healthy. Without being healthy getting involved in economic activity is not possible. Therefore, economic and non-economic activities don't substitute, but complementary to each other.

Question 2. If you need , to start doing an economic activity to earn livelihood for your family, which one would you like and why?

Answer: Economic activities can be grouped under business, profession and employment. All the three have their own merits and demerits. Therefore, one will decide according to the conditions, he/she is facing.

1. If one has enough funds to invest and he/she is a person who has an ability to take initiative and decision making then he/she will prefer business.
2. If one has a professional degree and minimum funds to start their own practice, he/she will prefer to be a professional.
3. If one has no such degree and no funds to start any venture of their own but some qualification to suit the requirement of a job, he/she will prefer employment.

Question 3. If one starts a business, which objective will be of utmost importance to you and why?

Answer: If one starts their own business, our social objectives will be of utmost importance to me because:

1. It will create employment opportunities in the economy.
He/she will make use of such methods which are desirable from society point of view.
2. It will help us to provide good quality product at reasonable prices to customers.
3. It will keep environment pollution free.
4. When we will concentrate on these objectives, it will satisfy one consumers and employees.

Consumer satisfaction will lead to improvement in these goodwill and market standing. Employee satisfaction will lead to increase in productivity. These two factors will increase profits in the long run automatically.

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