



## TEXTBOOK QUESTIONS SOLVED

### I. Multiple Choice Questions

Question 1. Which of the following does not characterise business activity?

- (i) Production of goods and services
- (ii) Presence of risk
- (iii) Sale or exchange of goods and services
- (iv) Salary or wages

Question 2. Which of the broad categories of industries covers oil refinery and sugar mills?

- (i) Primary
- (ii) Secondary
- (iii) Tertiary
- (iv) None of them

Question 3. Which of the following cannot be classified as an auxiliary to trade?

- (i) Mining
- (ii) Insurance
- (iii) Warehousing
- (iv) Transport

Question 4. The occupation in which people work for others and get remunerated in return is known as

- (i) Business
- (ii) Employment
- (iii) Profession
- (iv) None of them

Question 5. The industries which provide support services to other industries are known as

- (i) Primary industries
- (ii) Secondary industries
- (iii) Commercial industries
- (iv) Tertiary industries

Question 6. Which of the following cannot be classified as an objective of business?

- (i) Investment
- (ii) Productivity
- (iii) Innovation
- (iv) Profit earning

Question 7. Business risk is not likely to arise due to

- (i) Changes in government policy
- (ii) Good management
- (iii) Employee dishonesty
- (iv) Power failure

Answer:

1. (iv)
2. (i)
3. (i)
4. (ii)
5. (iv)
6. (i)
7. (ii)

### II. Short Answer Type Questions

Question 1. State the different types of economic activities.

Answer: Different types of economic activities are of three types:

1. Business refers to those economic activities which are concerned with the production or purchase and sale of goods or supply of services with the main object of earning profits.
2. Profession refers to those activities which require special knowledge and skill to be applied by individuals in their occupations.
3. Employment refers to the occupation in which people work for others and get remunerated in return.

Question 2. Why is business considered an economic activity?

Answer: Any activity is called an economic activity when it is done with a view to earning money. The motive of a business is to earn profit primarily. However, there are some other objectives as well like increasing market share, improvement in productivity, employee satisfaction, consumer satisfaction, social objectives but the main and basic objective of a business is to make profits. Therefore, it is called economic activity.

Question 3. Explain the concept of business.

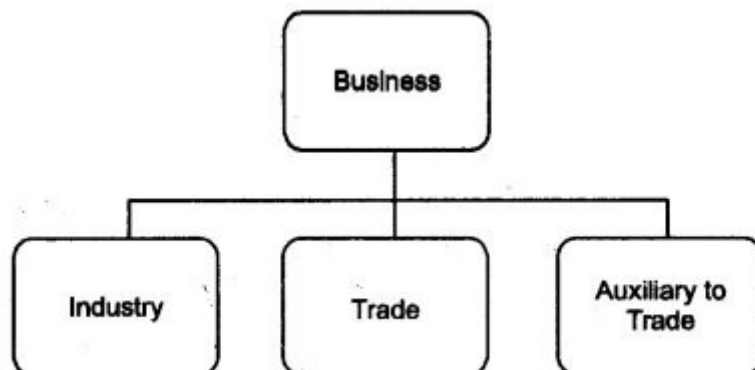
Answer: Business: An economic activity involving the production and sale of goods and services undertaken with a motive of earning profit by satisfying human needs in society is called business.

Characteristics of Business:

1. Economic activity: All business activities are economic activities and are done for the sole purpose of earning money.
2. Production and procurement of goods and services: A business activity involves production or procurement of goods and services. A manufacturer is involved in production, while a shopkeeper is involved in procurement.
3. Sale and exchange of goods and services for the satisfaction of human needs: Sale and exchange of goods and services is done to satisfy human needs.
4. Dealing in goods and services on a regular basis: One time dealing in goods or services cannot be termed as a business. The business should happen on a regular basis.
5. Profit earning: Profit earning is the fundamental motive of doing a business. Other motives are there but they depend on profit motive.
6. Uncertainty of returns: Returns can never be certain in business activity. This happens because of external factors which are outside the control of the business organization.
7. Element of risk: An element of risk is always present in business activity.

Question 4. How would you classify business activities?

Answer: Business activities can be classified in the following ways:



I. Industry: Different types of industries are as follows:

1. Primary Industry: The primary industry includes those activities through which the natural resources are used to provide raw materials to other industries. Primary industries are of two types.
2. Secondary Industry: Under this industry new products are manufactured by using the previously produced things e.g., producing cotton is a primary industry and manufacturing cloth out of cotton is a secondary industry. It is of two types.
3. Tertiary or Service Industry: It includes those services which help business to move smoothly e.g. transport, bank, insurance, storage and advertising.

II. Commerce: Commerce refers to all those activities which are concerned with the transfer of goods and services from the producers to the consumers. It embraces all those activities which are necessary for maintaining a free flow of goods and services. It includes trade and auxiliary to trade. Trade refers to buying and selling of goods and services with the objective of earning profit. It is classified into two categories.

1. Internal Trade: It takes place within a country. Internal trade is classified into two categories—retail trade and wholesale trade.
2. Retail Trade: It refers to buying of goods and services in relatively small quantities and selling them to the ultimate consumers.
  - (a) External Trade: It happens between two or more countries. External trade can be classified into three categories.
  - (b) Import Trade: If goods are purchased from another country, it is called import trade.
  - (c) Export Trade: If goods are sold to other countries it is called export trade.
  - (d) Entrepot Trade: Goods are imported for export to other countries e.g. Indian firm may import some goods from America and export the same goods to Nepal.

III. Auxiliaries to Trade: All those activities which help in removing various hindrances which arise in connection with the production and distribution of goods are called auxiliaries to trade. An overview of these activities is given below:

1. Transportation and Communication: The production of goods takes place at one place whereas these are demanded in different parts of the country. The obstacle of place is removed by the transport. Along with transport, communication is also an important service. It helps in exchange of information between producers, consumers and traders. The common communication services are postal service, telephone, fax, internet etc.
2. Banking and Finance: Business needs funds for acquiring assets, purchasing raw materials and meeting other expenses. Necessary funds can be obtained from a bank.
3. Insurance: It provides a cover against the loss of goods, in the process of transit, storage, theft, fire and other natural calamities.
4. Warehousing: There is generally a time lag between the production and consumption of goods. This problem can be solved by storing the goods in warehouses.
5. Advertising: Advertising brings goods and services to the knowledge of prospective buyers. It is through advertising that the customers come to know about the new products and their utility.

Question 5. What are various types of industries?

Answer: Different types of industries are as follows:

1. Primary Industry: The primary industry includes those activities

through which the natural resources are used to provide raw materials to other industries. Primary industries are of two types.

- Extractive: It refers to those industries under which something is extracted out of the earth, water or air e.g., coal, iron, gas etc.
- Genetic: It refers to those industries under which the breed of animals and vegetables are improved and made more useful e.g., poultry farms, tree planting etc.

2. Secondary Industry: Under this industry, new products are manufactured by using the previously produced things e.g., producing cotton is a primary industry and manufacturing cloth out of cotton is a secondary industry. It is of two types.

- Manufacturing: These industries convert raw materials or semi finished products into finished products e.g., paper from bamboo, sugar from sugar cane. It is further being divided into four parts.
- Analytical: Different things are manufactured out of one thing e.g., petrol, diesel, gasoline out of crude oil.
- Processing: Those industries wherein useful things are manufactured by making the raw material to pass through different production process e.g., steel from iron ores.
- Synthetic: Many raw materials are mixed to produce more useful product e.g., paints, cosmetics etc.
- Assembling: The parts manufactured by different industries are assembled to produce new and useful product e.g., computers, watches etc.
- Construction Industry: Such types of industries constructions of roads, bridges, buildings etc. are covered.

3. Tertiary or Service Industry: It includes those services which help business to move smoothly e.g. transport, bank, insurance, storage and advertising.

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