



### III. Long Answer Type Questions

Question 1. Define Profession. Discuss its salient features.

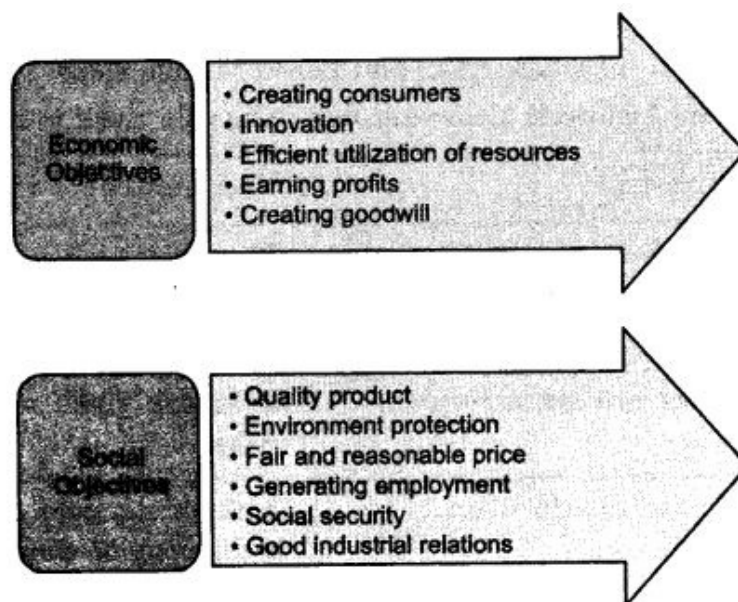
Answer: When a person is engaged in an occupation which provides services on the basis of specialized knowledge and experience in their respective occupations, it is called profession. For example, Legal (Lawyer), Medical (Doctor), Accountancy (C.A).

An occupation can be called a profession if it has the following features:

1. Membership of a professional body and certificate of practice is required.
2. Personalised services of expert nature.
3. Professional qualification and training are required.
4. Professional fee is charged in lieu of services.
5. The limited capital for establishment is required.
6. The degree of risk is low.
7. Professional code of conduct is to be followed that has been given by the concerned authority.

Question 2. Explain the economic and social objectives of the business.

Answer:



#### 1. Economic Objectives:

- **Creating consumers:** It means producing and distributing such useful goods and services which satisfy the consumers.
- **Innovation:** Innovation includes production of new products, replacing older products with latest and with new ones, improvement and modernisation in production methods so as to improve quality and/or reduce cost.
- **Effective utilisation of Resources:** A business tries to minimise and optimise its resource usage so as to minimise the cost and maximise the profits. By reducing cost and increasing profits, it ensures survival, growth,

expansion and diversification.

- Earning profits: According to Dicksee, "Business is a form of activity pursued primarily with the objective of earning profit for the benefit of those on whose behalf activity is conducted.
- Creating Goodwill: When a business is able to make good profits and other economic activities, its goodwill amongst investors and competitors goes up.

## 2. Social Objectives

- Quality product: A business aims at providing quality product so that it has good demand in the market and consumers feel satisfied to consume it. Inferior goods do not satisfy consumers.
- Environment protection: Another social objective of a business is protecting the environment from pollution of any kind and to ensure that nonrenewable resources are not depleted.
- Fair and reasonable price: Prices must be fair and reasonable. Business aims at maximizing social satisfaction in right sense instead of maximizing profit.
- Generating employment: Business activities aim at providing employment opportunities for entrepreneurs and self-employed persons. Who provide some goods and services to businessmen?
- Social security: Businessmen follow certain social welfare programmes like group insurance, provident fund, pension fund, medical facilities of employees, etc. it enhances social security.
- Good industrial relations: Employees are an important part of an organization. Their problems and grievances must also be considered, while running a business. Business must aim at building sound industrial relations.

Question 3. Define commerce. Discuss its importance in the business world.

Answer: Commerce is related to the exchange and distribution of goods and services. It involves trade and activities which facilitate trade like transportation, banking, warehousing, and finance, etc. Commerce can be defined as the sum total of all such activities which are related to transfer of goods and services from manufacturer to consumer, i.e., from the place of production to the place of consumption.

Commerce is of great importance in the business world:

Removal of Obstacles or Hindrance of Trade:

- Removing the hindrance of person: It means lack of information to producer about consumer and to consumer about the producer. It is removed by advertising.
- Transportation removes the hindrance of place.
- Storage and warehousing activities remove the hindrance of time.
- Banking removes the hindrance of finance.
- Insurance removes the hindrance of risk.
- Advertising removes the hindrance of information.

These functions are divided into:

### 1. Service Functions

Those activities which help in removing hindrance of place, i.e. distance, knowledge, information and risk are included in service functions. These activities make use of the following means:

- (i) Transportation
- (ii) Communication
- (iii) Insurance
- (iv) Advertisement

- (v) Entertainment services.
- 2. Financial Functions  
It includes those activities which help in removing hindrance to finance. It includes:
  - (i) Commercial banks
  - (ii) Financial institutions like LIC, UTI, etc.
  - (iii) Stock exchanges .
  - (iv) Private financiers
  - (v) Lease, hire purchase and installment supply agencies.
- 3. Marketing Functions  
Those activities which help in the removal of the hindrances of exchange and person are included in this category.  
It includes:
  - (i) Channels of distribution
  - (ii) Storing and warehousing facilities
  - (iii) Packaging, grading and trade marks.

Question 4. "No business is risk free." Do you agree? Justify your answer, mentioning the nature and causes of business risk.

Answer: Yes, we agree. We cannot think of any business which is risk free. You start a general store—the simplest business. There is a risk of things you buy getting wasted due to changes in demand pattern. You start a garments shop, fashion may change making your stock a waste and so on. There is not even a single business where there is no risk. It will be clearer when we look at the nature and causes of risk.

1. Nature of Business Risks
  - Business risks arise due to uncertainties: Natural calamities, change in demand and prices, change in technology, etc. are some of the examples of uncertainty which create risks.
  - Risk is an essential part of every business: No business can avoid the risk. Risk can be minimized, but cannot be eliminated.
  - Degree of risk depends mainly upon the nature and size of business: For small scale business it is less and for large scale business it is more.
  - Profit is the reward for risk taking: An entrepreneur bears risks and in consideration, he gets rewarded in the form of profit. Greater the risk higher is the chance of profit.
2. Causes of Business Risk
  - Natural causes: These are beyond human control, e.g., flood, earthquake, heavy rains, famine, etc.
  - Human causes: It includes carelessness or negligence of employees, e.g. theft, strikes, riots, misappropriation of cash and goods, etc.
  - Economic causes: These are related to a chance of loss due to changes in market condition, e.g., fluctuations in demand and prices, competition, change in technology etc.
  - Physical causes: Mechanical defects or failures may also lead to losses, e.g. bursting of the boiler or machine may cause death or destruction.
  - Legal and Political Causes: These causes of business risk include:
    - (a) Changes in government policies regarding foreign trade
    - (b) Entry of multinational companies
    - (c) Changes in laws affecting the business like to license, taxation, etc
    - (d) Changes in consumer laws and labour laws.

Think of any business. Risk in one way or the other must be applied to it. Hence, we may conclude that no business is risk free.

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