



III. LONG ANSWER TYPE QUESTIONS

Question 1. Describe the types of economic activities.

Answer: Following are the types of economic activities:

- (i) Profession,
- (ii) Employment,
- (iii) Business

(i) Profession: "Profession is that occupation in which one professes to have acquired specialized knowledge, which is used either in instructing, guiding or advising others," Webster's Dictionary. It includes Lawyers, Doctors, Chartered Accountants, Company Secretaries, etc.

Here, individual apply special knowledge and skills.

(ii) Employment: Employment is an activity in which an individual works regularly for others and get remuneration/compensation in return, undertaking personal services as per the agreement of employment.

(iii) Business: Business may be defined as "An activity in which different persons exchange something of value whether goods and services for mutual gain or profit." Peterson and Plowman It is a continuous economic activity undertaken with objective to earn profit by producing, and buying and selling of goods and services.

Question 2. Describe the characteristics of business.

Answer: Following are the characteristics of business:

- (i) Entrepreneur: There must be a person(s) to take initiative for establishing a business and undertake the risk.
- (ii) Economic Activity: All those activities related to the production and/or distribution of goods and services, with economic motive i.e. profit can form part of business.
- (iii) Production and Procurement of Goods and Services: Business either produces or procures goods and services for offering them to consumers.
- (iv) Sale of Goods and Services: Business involve sale, exchange or transfer of goods and/or services for the satisfaction of human needs against a price.
- (v) Regularity: One time transaction or dealing in goods and services is not business even if one earns profit in return. Business is done regularly.
- (vi) Utility Creation: Business activities result in creation of utilities i.e. (a) Form Utility, (b) Place Utility, (c) Time Utility
- (vii) Profit Earning: Profit is the reward for undertaking a business activity and no business can survive for long without earning profits.
- (viii) Uncertainty of Return: Business does not guarantee for the return of either principal amount invested in the business or the profit.
- (ix) Element of Risk: Business involves risk i.e. uncertainty. 'Higher the risk, higher the profit'.

Question 3. Explain the various forms of enterprises.

Answer: Business enterprises may be broadly classified under following three categories:

- (i) Private Sector Enterprises: Those enterprises which are owned, controlled, and managed by private individuals. These enterprises can be:

- (a) Sole-proprietorship
 - (b) Partnership
 - (c) Joint Hindu Family Business
 - (d) Co-operative
 - (e) Company
- (ii) Public Sector Enterprises: These enterprises are owned, controlled and operated by public authorities, with welfare as primary and profit as secondary goals, are called public sector enterprises.
- These enterprises can be of following types:
- (a) Departmental Undertaking
 - (b) Public Corporations
 - (c) Government Companies
- (iii) Joint Sector Enterprises: It is a form of partnership between the private sector and the government where management is generally in the hands of private sector, and with enough representation on Board of Directors by the Government too. Resources are mostly shared equally.

Question 4. Explain the meaning of Company.

Answer:

- (i) According to Section 3 of Indian Companies Act, 1956, "A company means a company formed and registered under this act or any previous act."
- (ii) It is an association of persons who contribute money in the shape of shares and the company gets a legal entity and enjoys a permanent existence.
- (iii) It is an voluntary association of a person's formed for some common object with capital divisible into units of equal value called 'shares' and with limited liability.
- (iv) It is a creation of law that is the birth of this artificial human being is by law and it can be put to death by law only.

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