



## MORE QUESTIONS SOLVED

### I. Multiple Choice Questions

Question 1. Which of the following is an economic activity?

- (a) Cooking food for self consumption
- (b) Cooking food for sale
- (c) Cooking food for donation
- (d) All of the above

Question 2. Which of the following is not a business activity?

- (a) Production of goods
- (b) Trading of goods
- (c) Storage of goods
- (d) Working in a hospital for wages

Question 3. Which of the following is not a feature of employment?

- (a) Fixed wages
- (b) Agreement between employer and employee
- (c) Terms and conditions
- (d) Element of risk

Question 4. Choose the odd one out:

- (a) Insurance
- (b) Warehousing
- (c) Mining
- (d) Banking

Question 5. Which of the following is not an insurable risk?

- (a) Risk of theft
- (b) Risk of fire
- (c) Risk of change in pattern of demand
- (d) All of these

Question 6. Which of the following is a cause of business risk?

- (a) Natural causes
- (b) Political causes
- (c) Economic causes
- (d) All of the above

Question 7. Profits are necessary for:

- (a) Expansion
- (b) Survival
- (c) Innovation
- (d) All of the above

Question 8. Objectives of business do not include:

- (a) Higher returns to investors
- (b) Employee satisfaction
- (c) Maximum price-from consumers
- (d) Market standing.

Question 9. Which of the following is an example of genetic industry?

- (a) Mining
- (b) Lumbering
- (c) Animal husbandry
- (d) Hunting

Question 10. Which of the following is an example of secondary industry?

- (a) Genetic industry
- (b) Extractive industry
- (c) Synthetic industry

(d) All of the above

Answers:

1. (b)
2. (d)
3. (d)
4. (c)
5. (c)
6. (d)
7. (d)
8. (c)
9. (c)
10. (c)

## II. Short Answer Type Questions

Question 1. Differentiate between economic and non-economic activities.

Answer: All human beings have different types of needs. So, in order to full fill those needs, they have to perform some activities. Human activities are classified into economic and non-economic activities.

| Basis   | Economic                                                        | Non-economic                                                                                                                     |
|---------|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| Meaning | Those activities whose aim is to earn money.                    | Those activities whose aim is not to earn money, and to create wealth, but to satisfy social, psychological and emotional needs. |
| Example | A teacher teaching in a school.<br>People working in factories. | A teacher teaches his/her son/daughter at home. A housewife cooks food for her family.                                           |

Question.2. What are the functions of commerce?

Answer: The functions of commerce are as follows:

1. Removing the hindrance of person and that means lack of information to producer about consumer and to consumer about the producer. It is removed by advertising.
2. Transportation removes hindrance of place.
3. Storage and warehousing activities remove the hindrance of time.
4. Banking removes the hindrance of finance.
5. Insurance removes the hindrance of risk.
6. Advertising removes the hindrance of information.

Question 3. Distinguish between industry, trade and commerce.

Answer:

| Basis               | Industry                                                | Commerce                                    | Trade                                             |
|---------------------|---------------------------------------------------------|---------------------------------------------|---------------------------------------------------|
| Meaning             | Production of goods and services.                       | Distribution of goods and services.         | Buying and selling of goods and services.         |
| Capital requirement | Large amount of capital invested.                       | Comparatively lesser invested capital.      | Less capital depending on the nature of business. |
| Scope               | It includes primary, secondary and services industries. | It includes trade and auxiliaries to trade. | It includes home and foreign trade.               |
| Risk                | It involves maximum risk.                               | Less risk as compared to industry.          | Least risk involved.                              |
| Utility             | Creates form utility.                                   | Creates place and time utility.             | Creates possession utility.                       |

Question 4. Can profits be the sole objective of a business? Justify your answer by giving suitable reasons.

Answer: A layman may say that profits are the only objective with which a business is carried on but a good business man cannot keep profits as his only motive. A business organization is an economic unit which makes use of various factors of production. Capital is one of the factors of production. It pays interest in the form of profits. Ur wick has put it beautifully, "Earning of profits cannot be objective of business any more than eating is the

objective of living.” There must be other objectives of a business which are non-monetary but as important as monetary, like employee satisfaction, innovation, productivity, consumer satisfaction, etc.

Following reasons can be given to justify our opinion that profits cannot be the sole objective of a business.

1. If we make profits to be only objective then interests of consumers, employees and society will be ignored.
2. Maximum profits in the short run, may result worse for long term interest of the company.
3. In present day scenario, when consumer awareness is increasing, labour laws are becoming stringent, social responsibilities of business are being highlighted, environment is being talked about, a business needs to set its objectives for satisfaction of consumers, employees, environmentalists, government etc.

Question 5. Explain political and legal causes of business risks.

Answer: The causes of business risk include:

1. Changes in government policies regarding foreign trade
2. Entry of multinational companies
3. Changes in laws affecting the business like licensing, taxation etc.
4. Changes in consumer laws and labour laws.

For example, an increase in tax rates may reduce profit margin of the business or an increase in minimum wages may increase labour cost for the business.

Question 6. Differentiate between insurable risks and non-insurable risks.

Answer: Differences between insurable risks and non-insurable risks are summarised below:

| <b>Basis</b>          | <b>Insurable risks</b>                                                                          | <b>Non-insurable risks</b>                                                                             |
|-----------------------|-------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| <b>Meaning</b>        | Those risks which can be covered up by some type of insurance policy are called insurable risk. | Those risks which cannot be covered up by some type of insurance policy are called non-insurable risk. |
| <b>Business Risks</b> | Business risks are not insurable risks.                                                         | Business risks are non insurable risks.                                                                |
| <b>Example</b>        | Risk of damage due to fire, accident, theft etc.                                                | Risk of damage due to change in technology or change in government policy etc.                         |

Question 7. What are the hindrances in the commerce? Which agencies are used to remove these hindrances?

Answer: Following are the hindrances in commerce:

- Lack of Personal Contact: This hindrance is removed by traders and middlemen.
- Distance or Place: This hindrance is removed by transportation.
- Finance: This hindrance is removed by banking.
- Time or Storage: This hindrance is removed by warehousing.
- Risk: This hindrance is removed by insurance companies.
- Information: This hindrance is removed by advertisement or communication.

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