



Question 6. Explain any two business activities which are auxiliaries to trade.

Answer: Two business activities which are auxiliary to trade are explained 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. Finance is the life blood of any business. We cannot think of any business which does not need finance and providing finance to other businesses become another business. Finance is also required for consumption purposes.

Question 7. What is the role of profit in business?

Answer: Profits play a vital role in any business. Earning of profits is essential for any business because of the following reasons given below:

- Means of Livelihood: Profits act as a means of livelihood for the entrepreneurs. Without profits, entrepreneurs cannot continue with the business.
- Rewards for taking risks: It provides returns for taking risks.
- Funds for Growth: It would provide funds for growth of the business.
- Symbolic of efficiency and efficacy: Profits symbolise that management is efficient and business is operating in a healthy manner.
- Enhancement in goodwill: A business making higher profits has a better goodwill and reputation in the market.

Question 8. What is business risk? What is its nature?

Answer: The term business risk refers to possibility of inadequate profits or even losses due to uncertainties e.g., changes in tastes and preferences of consumers, strike, increased competition, change in Government policy etc. These are of two types—speculative and pure.

Nature of Business Risks

1. 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.
2. Risk is an essential part of every business: No business can avoid risk. Risk can be minimised but cannot be eliminated.
3. 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.
4. Profit is the reward for risk taking: An entrepreneur assumes

risks and in consideration he gets reward which is called profit.  
Greater the risk higher is the chance of profit.

### III. Long Answer Type Questions

Question 1. Explain the characteristics of business.

Answer: Characteristics of business are as follows:

1. An 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 objectives cannot be attained without it.
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 2. Compare business with profession and employment.

Answer: Business has been compared with profession and employment in tabular form given below:

Basis of Distinction	Business	Profession	Employment
Mode of Establishment	Starts after completing some legal formalities if needed.	Membership of a professional body and certificate of practice required.	Start after getting appointment letter.
Qualification	No minimum qualification is necessary.	Professional qualification and training required.	Qualification and training required prescribed by the employer.
Capital Investment	Capital needed according to nature and size of business.	Limited capital for establishment.	No capital required.
Risk	It involves high risk.	The degree of risk is low.	No risk in it.
Code of conduct	No code of conduct.	Professional code of conduct is to be followed.	The terms and conditions of service contract are to be followed.
Nature of work	Provision of goods and services to the public.	Personalized services of expert nature.	Work allotted by the employee according to the contract.
Reward/Return	Profits.	Professional Fee.	Salary or wage.

Question 3. Explain with examples the various types of industries.

Answer: Different types of industries are as follows:

1. Primary industry: Primary industry includes all those activities, which are connected with extraction and production of natural resources and reproduction and development of living organisms, plants, etc. 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: Secondary industry includes all those

activities, which are connected with using the materials, which have already been extracted at the primary stage. 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 has further been 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 processes 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 type of industries include construction of roads, bridges, buildings etc.
3. Tertiary or Service Industry: Tertiary industry includes all those activities, which are concerned with providing support services to primary and secondary industries as well as activities relating to trade. It includes banking, finance, insurance, communication, transportation etc.

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