

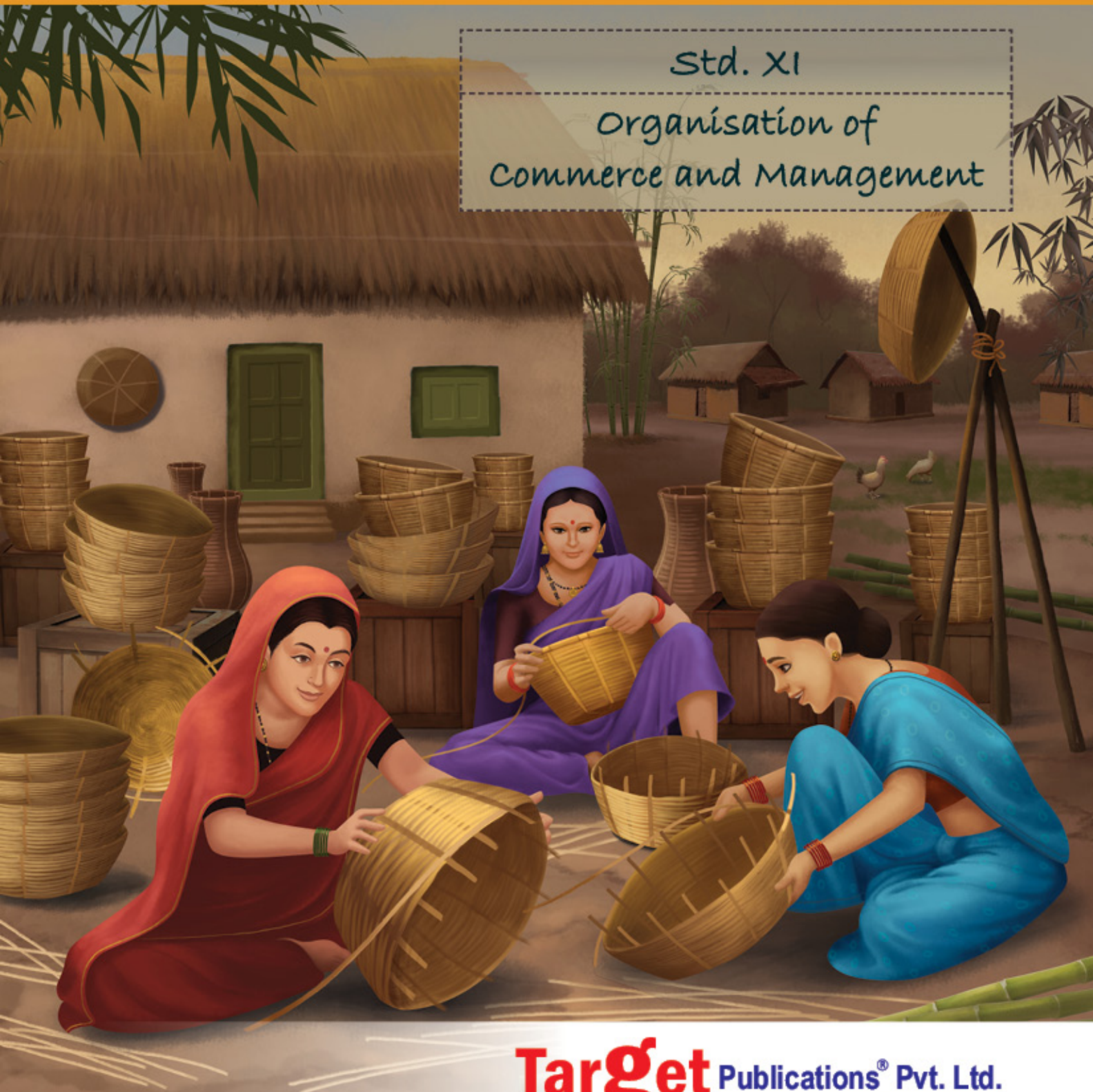
SAMPLE CONTENT



SMART NOTES

Std. XI

Organisation of
Commerce and Management



Target Publications® Pvt. Ltd.

SMART NOTES

ORGANISATION OF COMMERCE & MANAGEMENT

F.Y.J.C.

MAHARASHTRA STATE BOARD

*(As per the new textbook published by Maharashtra State Bureau of Textbook Production and Curriculum Research,
Pune. w.e.f. Academic Year 2019-20)*

Salient Features:

- ☞ Based on the new textbook
- ☞ Exhaustive content coverage in Question & Answer format
- ☞ Answers presented in an examination ready format
- ☞ 'Smart Codes' and 'Smart Recaps' to memorize answers
- ☞ 'For your understanding' section aids conceptual clarity
- ☞ Includes GG - our very own mascot that offers a practical touch to theory
- ☞ Includes QR codes for reference content
- ☞ Replete with practical and real life examples
- ☞ Highlighted key words and sentences that aid recall as well as revision
- ☞ Chapter wise Index to help you understand the coverage of entire chapter

Printed at: **Repro India Ltd., Mumbai**

© Target Publications Pvt. Ltd.

No part of this book may be reproduced or transmitted in any form or by any means, C.D. ROM/Audio Video Cassettes or electronic, mechanical including photocopying; recording or by any information storage and retrieval system without permission in writing from the Publisher.

PREFACE

Organisation of Commerce & Management (O.C.M.) 'Smart Notes' is a book curated to facilitate learning & instil conceptual understanding within students. This treasure trove of knowledge fosters robust conceptual clarity and inspires confidence in the nimble mind of young learners.

This book not only provides answers to all textual questions but also addresses extra questions in each lesson with the aim of covering the entire topic and making students ready to face the competition. Throughout this book, questions are answered in a detailed, point-wise format which makes it easier for students to memorize and reproduce the answers in their examination.

We have incorporated 'Smart Codes' to facilitate easy answer recall. In case of complex questions, we have provided 'Smart Recap' to quickly recap of that question. 'For your understanding' section offers additional information on a particular topic. This is required for conceptual clarity but need not be written in an examination. 'Gyan Guru', our very own mascot, offers a practical touch to theory by sharing interesting & real facts. 'QR codes' present throughout the book offer students practical knowledge through reference content. We're sure that students, parents and teachers alike would love our value proposition and unique presentation of content that we have created for students in this book.

The journey to create a complete book is strewn with triumphs, failures and near misses. If you think we've nearly missed something or want to applaud us for our triumphs, we'd love to hear from you.

Please write to us at : mail@targetpublications.org

From
Publisher
Edition: First

Disclaimer

This reference book is transformative work based on 'Organisation of Commerce; First Edition: 2019' published by the Maharashtra State Bureau of Textbook Production and Curriculum Research, Pune. We, the publishers are making this reference book which constitutes as fair use of textual contents which are transformed by adding and elaborating, with a view to simplify the same to enable the students to understand, memorize and reproduce the same in examinations.

This work is purely inspired upon the course work as prescribed by the Maharashtra State Bureau of Textbook Production and Curriculum Research, Pune. Every care has been taken in the publication of this reference book by the Authors while creating the contents. The Authors and the Publishers shall not be responsible for any loss or damages caused to any person on account of errors or omissions which might have crept in or disagreement of any third party on the point of view expressed in the reference book.

© reserved with the Publisher for all the contents created by our Authors.

No copyright is claimed in the textual contents which are presented as part of fair dealing with a view to provide best supplementary study material for the benefit of students.

Why to study O.C.M.?

Apart from the basic objective of doing well in your exams, there are various reasons for studying O.C.M.:

1. As the name suggests, the subject mainly covers two aspects namely 'Organisation of Commerce' and 'Management'. Both these aspects have extreme practical relevance. They form the basis of any commercial activity i.e. employment, business or profession that we undertake in our lives.
2. Two chapters of the syllabus deal with the different forms of business organisations. A detailed knowledge of these form of organisation is critical for a student of commerce from a long-term perspective.
3. You might have read about NABARD and SIDBI in your previous standards but this subject gives you a different perspective about the roles that these organisations play in our economy. The government is doing a lot to uplift the status of farmers and rural poor. We get to understand that better as we study this subject.
4. Lastly, this subject gives us an introduction to the subject of 'Management'. A lot of us look forward to careers in management and reach managerial positions and therefore, this subject assumes additional importance.

How to study from this book?

This book is divided into the following parts:

- i) **Theory questions**
- ii) **Interpretative based questions.**

Theory questions

Questions covered in theory section are in the flow of textbook. Thus, once you read all the questions, it's as good as reading an entire chapter from the textbook. We advise you to study from this section first.

Interpretative based questions

This section is at the end of the theory section. Questions covered in this section are either objectives or application-based questions. Once you have read and understood the theory, you are better equipped to solve and answer these questions. We have also provided answers for you to enable self-evaluation.

The book is rife with bits of value addition. Take a look further to understanding it.

Smart Code

At times, answers are too lengthy and it's difficult to remember all the points. Hence, we have created Smart Codes for a few questions to aid you in remembering and recollecting these points. Please do not memorize each and every Smart Code. Instead of helping, it might end up confusing you. Memorize only those Smart Codes wherein you find the answer difficult to comprehend.



SMART CODE T I E P R I M E

1) TECHNICAL DEVELOPMENT

MNCs enter the host country with advanced & sophisticated technology. Therefore, they act as a vehicle for transfer of technical development from one country to another. Poor countries also begin to develop technically after hosting MNCs.

SMART RECAP



Type	Formed By	Objective	Point to remember
Consumer Co-operative	Consumers	To obtain daily requirements at reasonable prices	Profits of the society are distributed in the ratio of purchases made by them during the year.

Smart Recap

In theory subjects, at times answers are quite long and complex. It's difficult to remember the entire answer. Hence, we have provided Smart Recap i.e. summary of the entire answer for students to revise it immediately.

For Your Understanding

Certain concepts are tricky and difficult to understand with a limited amount of explanation. To explain these concepts efficiently, we have provided a section named 'For your understanding' that provides better conceptual clarity. Please note that the content provided in this section need not be included in the examination. This is purely for conceptual understanding.

FOR YOUR UNDERSTANDING

Mission means the overall purpose for the existence of a company. E.g., the mission of Ranbaxy Laboratories of India is "to become a research based international pharma company"

Gyan Guru



If Walmart was a country, it would have been 24th richest out of total of 195 countries of the world.

GG - Gyan Guru

Gyan Guru, our very own mascot, keeps popping up throughout the book. He offers you a practical and real-life example or an interesting fact, associated with the topic. Look out for him!

QR Codes




Q.C.M. has numerous real-life applications. Various forms, notices, documents mentioned in the syllabus are used presently in business organisations. We have given such data via QR codes for better understanding of the subject.

[Note: Scan the QR code to view financial results of public limited company published in leading newspaper.]



Variety of questions covered

The new textbook is through a lot of new types of questions. In this book, you will be studying below types of questions:

Sr. No.	Nature of Question	Ch. 1	Ch. 2	Ch. 3	Ch. 4	Ch. 5	Ch. 6	Ch. 7	Ch. 8
Theory section									
1.	Answer the following question. Attempt the following and Answer in brief (This is covered under "Answer the following")	✓	✓	✓	✓	✓	✓	✓	✓
2.	Distinguish between.	✓	✓	NA	✓	✓	NA	✓	✓
Objective section									
A.	Select the correct answer from the options given below and rewrite the statements.	✓	✓	✓	✓	✓	✓	✓	✓
B.	Match the pairs.	✓	✓	✓	✓	✓	✓	✓	✓
C.	Write a word or a term or a phrase which can substitute each of the following statements.	✓	✓	✓	✓	✓	✓	✓	✓
D.	State whether the following statements are true or false.	✓	✓	✓	✓	✓	✓	✓	✓
E.	Find the odd one.	✓	✓	✓	✓	✓	✓	✓	✓
F.	Complete the sentences.	✓	✓	✓	✓	✓	✓	✓	✓
G.	Select the correct option from the bracket.	✓	✓	✓	✓	✓	✓	✓	✓
H.	Answer in one sentence.	✓	✓	✓	✓	✓	✓	✓	✓
I.	Correct the underlined word and rewrite the following sentences.	✓	✓	✓	✓	✓	✓	✓	✓
J.	Arrange in proper order	NA	✓	✓	✓	NA	NA	NA	✓
	Explain the following terms / concepts.	✓	✓	✓	✓	✓	✓	✓	✓
	Justify the following statements.	✓	✓	✓	✓	✓	✓	✓	✓
	Study the following case / situation and express your opinion.	✓	✓	✓	✓	✓	✓	✓	✓

Note: All the above variety of questions are a part of textbook.

INDEX

Sr. NO.	Titles	Page No. (Theory)	Page No (Objectives)
1.	Introduction of Commerce & Business	1	
2.	Trade	21	187
3.	Small Scale Industry & Business	50	96
4.	Forms of Business Organisation - I	61	201
5.	Forms of Business Organisation - II	106	110
6.	Institutes Supporting Business	125	217
7.	Business Environment	146	226
8.	Introduction to Management		235

Note: i. All textual questions are represented by (T) mark.

ii. At the start of each chapter, we have provided a chapter index to enable the students to get an overview of the chapter as well as to mark the number of times they have read or studied every question by way of columns named Read 1, Read 2 and Read 3 against each question.

SR. NO.	PARTICULARS	READ 1	READ 2	READ 3
1.	State the types of human activities. (T)			
2.	Define business. Explain its features. (T)			
3.	State any four features of profession. (T)			
4.	State any four features of employment. (T)			
5.	Describe various objectives of a business. (T)			
6.	Explain the importance of profit in business. (T)			
7.	Explain the two broad categories of business activities.			
8.	State any two types of industries. (T)			
9.	Explain the concept of trade.			
10.	State the role of auxiliaries to trade in trading activities. (T)			
11.	Give comparative analysis of business, profession and employment. (T)			
12.	Distinguish between: (T) a. Industry and Commerce b. Business and Commerce			

INTRODUCTION

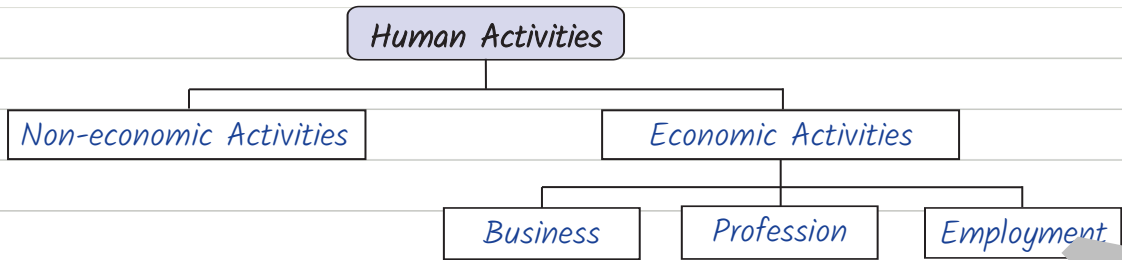
All human beings engage in some activities to keep themselves busy. The activities may help them to earn money or may simply give them satisfaction. For example, students might opt for internship during vacations to gain experience and earn stipend. They could also go out with friends, watch movies or spend quality time with family. While doing internship helps them to earn money, other activities are performed just for the sake of satisfaction and joy. In both instances, students are keeping themselves busy during vacations just like all other human beings do throughout their life!

Q.1.

Answer the following questions

1. State the types of human activities. (T)

Ans: Human beings keep themselves busy and do some activity throughout their life. All activities performed by them can be classified as economic and non-economic activities.



1) NON-ECONOMIC ACTIVITIES

Meaning: It refers to those human activities which are performed to satisfy personal, social, religious, cultural and sentimental requirements without monetary expectations.

Example: Reading books, serving people, cooking by mother etc.

2) ECONOMIC ACTIVITIES

Meaning: It refers to actions that involve production, distribution and consumption of goods and services at all levels within a society. The economic activities facilitate earning livelihood. In simple words, economic activities are undertaken to earn money.

Example: Worker working in a factory, officer working in a bank etc.

2. Define business. Explain its features. (T)

Ans: Business is one of the economic activities performed by human beings. It enables them to earn livelihood or money.

MEANING

1) Business represents organised efforts by an individual or group of individuals.

2) It is a systematic attempt by business persons to produce goods and services and sell them in the market, with a view to earn the reward in the form of profit.

i. **Production:** It actually means making of (manufacturing or producing) goods.

Goods can be produced with manpower or with the help of machines or both.

It may be agricultural product or finished goods produced in factories.

E.g. Cultivating piece of land and growing food grains is an example of agricultural production. However, converting oil seeds into edible oil with the help of manpower and machines is an example of manufacturing the goods.

ii. **Distribution:** It includes marketing of goods and services. Distribution involves transport, warehousing, advertising. All these activities facilitate transfer of goods from producer to the final consumer.

3) Business satisfies multiple and complex needs of the society.



DEFINITION

- 1) According to Prof. Haney, "Business activities are all those human activities which are directed towards the production and processing of wealth"
- 2) According to Prof. Pride, Hughes and Kapoor, business refers to "the organised efforts of individuals to produce and sell for a profit, the goods and services that satisfy society's needs."

CHARACTERISTICS/ FEATURES OF BUSINESS



SMART CODE

T

O

P

P

E

R

E

C

C

D

1) TWO PARTIES

Every business transaction involves an exchange (of goods and services) and **minimum two parties are required for exchange**, i.e., the seller and the buyer. Business transaction is a result of an agreement between the buyer and the seller. The agreement may be oral or written.

2) OVERALL RETURNS ARE UNCERTAIN

In business, the returns are never predictable or guaranteed. Businessman **may earn profit or suffer a loss** and hence, returns from business activities are always uncertain.

3) PROFIT MOTIVE

The basic purpose of business is to earn the profit from its activities. Businessmen try to **maximize their profits** through increasing the volume of sales or reducing costs. Profit is the spine of business, which keeps the business going on in the long-term. The amount of profit may differ from business to business.

4) PRODUCTION OF GOODS AND SERVICES

Before exchanging the goods and services, they should be produced by the business enterprise. In other words, businessmen **either manufacture the good themselves or procure (acquire) it from the supplier**, with the aim of selling it further to consumers for earning profit.

5) EXCHANGE OF GOODS AND SERVICES

- i. Business involves transfer (exchange) of goods and services directly or indirectly for money or money's worth.
- ii. **Monetary exchange** is the exchange of goods & services with money (E.g. Buying notebook for cash) whereas **barter exchange** involves exchanging goods and services for some other goods and services. (E.g. Wheat is exchanged for rice).



- iii. If goods are produced for own consumption, (E.g. Stitching a dress for daughter), it is not considered as a business activity. When goods are produced for selling it to consumers with a view to earn profit, it is a business activity (E.g. Stitching a dress in tailoring shop and taking stitching charges for it).
- iv. Similarly, if goods are donated or given as gift then it cannot be considered as business activity as it does not involve exchanging goods for money/money's worth.

6) RISK ELEMENT

Risk is the key element of every business. Every business has some or the other risk due to possibility of occurrence of unfavourable or undesirable event. Certain factors are beyond the control of businessmen. E.g. Changes in consumer tastes, likes/dislikes of consumers, fashions, changes in technology of production, fire, theft, natural calamities, government policy etc. No business is free from such risks/factors. Although intensity of risks can be minimized, business risks can't be completely avoided.



GG - Gyan Guru

When the government of Maharashtra announced plastic ban, many plastic vendors & manufacturers had to close down their business suddenly.

7) ECONOMIC ACTIVITY

Business is an economic activity since it is undertaken to earn money or livelihood. In other words, business is not performed for the sake of love, affection, feelings, sentiments etc.

8) CONTINUITY IN DEALINGS

Every business requires regularity in transactions. One single transaction does not constitute business. E.g. if a person sells his own motor car and earns profit, then it will not be considered as business activity. However, if he is a car dealer who sells and purchases cars regularly, then it constitutes a business activity (on account of continuity in such deals).

9) CUSTOMER SATISFACTION

Customer satisfaction is the ultimate aim of all economic activities and business is not exception to it. Modern business believes in satisfying the customers by providing quality products and services at reasonable price. In simple words, the purpose of the business is to create and retain the customers.



10) DEALINGS IN GOODS AND SERVICES

In the absence of goods and services, business cannot take place. In other words, every type of business transaction is concerned with either goods or services. The goods may be consumer goods (E.g. tea, milk, pencil) or capital goods (E.g. machinery, plant, furniture). The business dealing can either be with an individual (B to C) or with another business (B to B).

3. State any four features of profession. (T)

Ans: Profession is one of the economic activities performed by human beings.

MEANING

- 1) Profession is that part of economic activities under which a person uses his educational knowledge and special skills to render services for earning some income.
- 2) E.g. Doctor, Lawyer, Chartered Accountant use their domain knowledge and skills to render services to clients and earn fees (money) in exchange.

FEATURES OF PROFESSION



SMART CODE M C Q R A N²

1) MONETARY (FINANCIAL) RETURNS

Professionals get fees in exchange of their services. Income received by professional is not fixed. Professionals can be employed in an organisation or be self-employed. A working chartered accountant gets salary but those who practice privately, i.e. self-employed, get fees.

FOR YOUR UNDERSTANDING

Sam is a Chartered Accountant. He works in the Reliance Capital Ltd. and gets fixed salary every month in exchange of services provided to the company. On the other hand, his friend John, who is also a CA, practices privately. His client base changes over time. Hence, total fees that he gets from all his clients also varies with time and hence, John's income is not fixed.

2) CAPITAL

The amount of capital required depends on whether the professional is practicing independently or working under someone. Mostly, independent practicing professionals require huge capital for setting up their practice. E.g.: A doctor who wants to set up his own practice will have to invest in buying/renting space for clinic, basic infrastructure & furniture, equipment etc.



3) QUALIFICATION

Any profession can be practiced only after acquiring required qualifications. Each profession has a certain set of body of knowledge. One cannot practice a profession unless this knowledge is acquired. The knowledge must be acquired through systematic and formal training.

4) REGISTRATION AND MEMBERSHIP

Some professions have a council which regulates the activities of professionals. (E.g. Bar Council of India for lawyers, ICAI for chartered accountants, Indian Medical Association for doctors etc.) The professionals have to register themselves with their respective councils and get certificate of practice. The code of conduct mentioned by the respective councils must be strictly followed by every professional. Every practicing professional must acquire membership from the respective council.

5) AIM

Every profession is practiced for earning money. The professionals such as doctors/lawyers render services to their clients and solve their problems. In return, they get monetary reward in the form of fees.

6) NON-TRANSFERABILITY

It is not possible to transfer the profession to other person on the will of professional. E.g. A doctor cannot transfer his medical practice to his son who has not completed required medical education.

7) NATURE OF WORK

The professionals offer expert services related to their field and charge fees in exchange. The nature of work depends on the concerned educational knowledge and special skill set of the particular profession. E.g. An architect designs the layout of office for fees.

4. State any four features of employment. (T)

Ans: Employment is one of the economic activities performed by human beings. It enables them to earn livelihood or income.

MEANING

- 1) Employment is an economic activity in which people work for others.
- 2) There exists employer-employee relationship in this economic activity.
- 3) Employer is the person who offers the work.
- 4) Employee is the person who accepts the work.
- 5) Remuneration and terms & conditions are agreed by both, employer and employee.



FEATURES OF EMPLOYMENT



SMART CODE

M

C

Q

R

A

N²

1) MONETARY RETURNS

Employees get monetary returns after completion of work in the form of **wages or salaries**. Wages are paid daily/ weekly while salary is paid monthly. These financial returns are decided in advance before the appointment of employees. Along with salary, employees may also be provided with other benefits such as bonus, quarters to stay, subsidized food in canteen etc.

2) CAPITAL

The employer provides employees with all the required facilities and resources to complete the job. Hence, **no capital is required in case of employment**. In simple words, employees need not invest any capital in this economic activity.

3) QUALIFICATIONS

Each job requires some qualification. The job can be skilled or unskilled. In case of skilled job, some specific qualifications are required. E.g. Job of nurse requires completion of concerned nursing course. On the other hand, no specific qualification is essential for unskilled jobs. E.g. Job of office boy may not require completion of specific course or degree.

4) REGISTRATION

No registration is required in case of employment. Every employee has to follow the rules and regulations mentioned in the terms and conditions of employment contract.

5) AIM

The main aim of this economic activity is to **earn money**, for meeting needs of both employees and employers.

FOR YOUR UNDERSTANDING

Suppose, Rina is an entrepreneur who has opened her boutique. She has employed two tailors, three sales girls and one cashier as employees in her boutique. Rina aims to earn money by selling designer outfits. At the same time, she pays salary to all her employees (for services rendered by them), which enables employees to meet their needs.

6) NON-TRANSFERABILITY

It is **not possible to transfer** the employment from one person to another. E.g. If a teacher retires, then he cannot transfer his job to his son or daughter.



7) NATURE OF WORK

The nature of work in case of employment varies in accordance with the nature of job. Every employee is expected to complete the work which is given to him in this type of economic activity.

5. Describe various objectives of a business. (T)

Ans: Business represents organised efforts by an individual or group of individuals. It is a systematic attempt by business persons to produce goods and services and sell them in the market. All business activities are guided by certain objectives. The various business objectives can be explained as follows:

ECONOMIC OBJECTIVES

1) EARNING PROFIT

All business activities are undertaken with a view to earn profit. Profit is the excess of revenue over cost. The profit is required for survival and growth of the business.



GG - Gyan Guru

Reliance Industries earned a profit of more than ₹ 39,000 crores for the year 2018-19. Tata Communication Services (TCS) also earned a profit of more than ₹ 30,000 crores for the same period.

2) SEARCHING NEW CUSTOMERS

Business organisations work hard to create new customers. It enables them to expand their sales. The organisations also aim to maintain their existing customer base.

3) INNOVATIONS

It refers to development or positive changes in the production techniques or the products. The business organisation has to spend on research and development (R & D) activities, market survey, use of advanced technology etc. in order to stimulate innovation. Innovations result in the improvement in product or process of production and contributes to organisational growth.

4) BEST POSSIBLE USE OF RESOURCES

Resources are scarce and have alternative uses. Hence, resources should be put to their best possible use and efforts need to be taken to avoid wastages. Optimum use of resources ultimately contributes to increasing profits of the businesses.

SOCIAL OBJECTIVES

1) SUPPLYING QUALITY PRODUCTS

Every business has to provide quality products to customers. Quality means a



combination of purity, safety, durability, utility etc. The good quality of products develops trust and confidence in the minds of consumers.

2) AVOIDING UNFAIR TRADE PRACTICES

Unfair trade practices such as black marketing, misleading advertisements, wrong measurement etc. should be avoided for ensuring the survival and growth of a business unit.

3) EMPLOYMENT GENERATION

Business is a socio-economic institution. Hence, it should create jobs for skilled and unskilled people. The business should provide employment opportunities to economically backward and divyang (differently abled) persons.

4) WELFARE OF EMPLOYEES

The business should provide its employees with fair and regular remuneration, good working conditions, impartial personnel policies, incentives etc. Skilled and unskilled workers are the part of the society. Hence, if employees are properly taken care of, it ultimately brings welfare to the society.

5) HELP TO SOLVE SOCIAL PROBLEMS

Many social problems such as traffic jams, growth of slums, air and water pollution etc. arise on account of rapid industrialization. Business should be aware of these problems and should try to reduce them.

6) CONTRIBUTING TO THE WELFARE OF SOCIETY

Business house should take care of general welfare of the society. For this purpose, they should give donations for good cause, offer scholarships for higher education etc.



GG Gyaan Gurukul

Tata Steel spent around ₹ 3.15 billion on its Corporate Social Responsibility (CSR) initiatives during the financial year 2018-19.

[Note: Scan the QR code to view video on CSR activities of Tata Steel.]



6. Explain the importance of profit in business. (T)

Ans: Business represents organised efforts by an individual or group of individuals. It is a systematic attempt by business persons to produce goods and services and sell them in the market, to earn the reward in the form of profit. Profit is the excess of revenue over cost. Every business operates with an aim to earn profits.



$$\text{Profit} = \text{Revenue} - \text{Total cost}$$

The role of profit in business can be explained as follows:

1) **RETURNS TO INVESTORS**

The people who invest money in the business expect fair returns on their capital. This is possible only if adequate profits are earned by business. In simple words, profits ensure that investors receive fair returns.

2) **RESEARCH AND DEVELOPMENT (R & D)**

Adequate profit enables a firm to spend more on R & D activities. This can lead to better technology and lower costs. Further, innovative products developed due to R & D benefit the whole nation.

3) **GROWTH AND EXPANSION**

Profit is the internal source of funds. The businesses reinvest their profits for increasing the volume of business through expansion and diversification. It contributes to further development of the business.

4) **INCREASES EFFICIENCY**

Profits enables business organisations to pay various dues on time. It also motivates the employees working in the organisation. This finally contributes to increase in the overall organisational efficiency.

5) **MEANS OF LIVELIHOOD**

Profit is the means of livelihood for businessmen. Earning sufficient profits enables them to fulfil their various wants and live a decent standard life.

6) **REWARDS FOR RISKS**

Profit is considered as a reward for assuming several business risks. Profits also serves as a protection against those risks which cannot be insured. E.g. Fall in demand, adverse government policy etc.

7) **SURVIVAL**

Profit helps the business to continue to exist (survive) in the competitive market environment. E.g. A profit making firm can invest heavily in R & D and come up with innovative products, it can hire good people, it can market its products well etc. It enables the firm to gain competitive edge over rivals. In the absence of sufficient profits, business will not be able to survive in growing competitive environment.

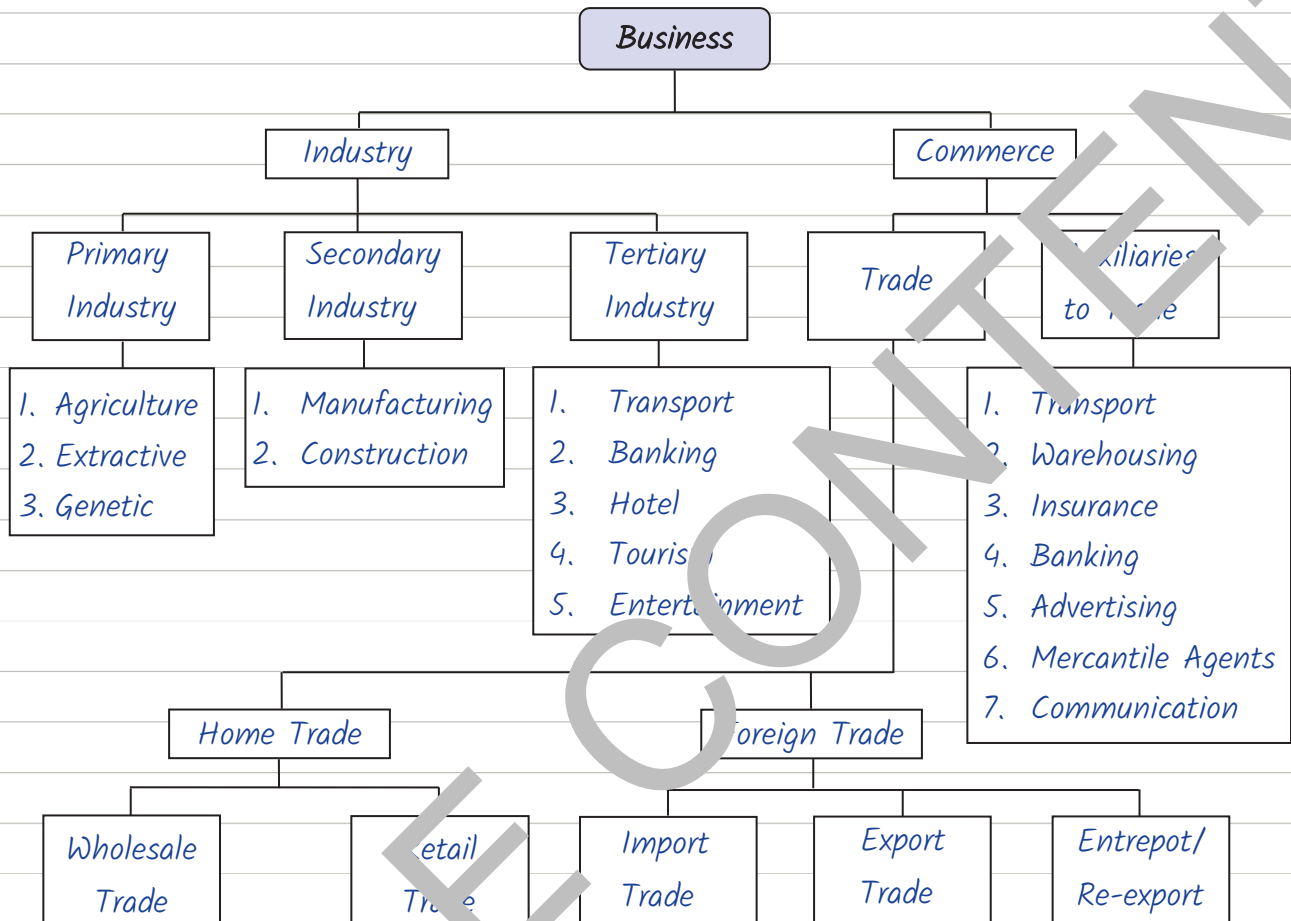
Q. Explain the two broad categories of business activities.

Ans: Business represents organised efforts by an individual or group of individuals. It is a systematic attempt by business persons to produce goods and services and sell them in the market, with a view to earn the reward in the form of profit.



CLASSIFICATION OF BUSINESS ACTIVITIES

Note: It is advisable to memorize the chart given below to be able to answer your objective questions easily and also to understand the balance chapter in a better manner.



Business activities may be broadly classified into two categories; namely, industry and commerce. Industry is concerned with production of goods and providing services, while commerce is mainly concerned with their distribution. Both of these categories can be explained as follows:

1) INDUSTRY

Meaning. The meaning of the term 'industry' can be explained in two ways:

- i. Industry implies the economic activities that are associated with the **conversion of resources into goods that are ready for use**. E.g. Production and processing of goods, mining, construction etc. The goods produced may be consumer goods (directly consumed by final consumer) or capital goods (used by another industry for further production of goods).
- ii. The term 'industry' also means group of firms producing similar or related goods. E.g.: Sugar industry refers to all manufacturing units producing sugar for sugarcane.



Location: Industrial activities are conducted in factories, workshops, sheds or even sometimes at home. It all depends on the size of industry.

Utility: Industry creates form utility. It converts the raw material into usable finished products. All this is possible with manpower, machine power and large capital investment.

Components: Industries can be divided into three broad categories: Primary industry, Secondary industry and Tertiary industry. These industries are further divided into various types.

Note: Form utility is a utility created through altering the physical appearance of a good.

2) COMMERCE

Meaning: Commerce is that part of business activity which is concerned with distribution of goods and services produced by industry. It includes all those activities which are essential for maintaining a free and uninterrupted flow of goods.

Utility: Commerce bridges the gap between producers and consumers by exchange of goods and services for money or money's worth.

Components: Commerce is further divided into trade and auxiliaries to trade. The trade is further divided into various types on the basis of whether it is home trade or foreign trade.

8. State any two types of industries. (T)

Ans: Business activities may be broadly classified into two categories; namely, industry and commerce. Industry is concerned with production of goods and providing services. Industries can be divided into three broad categories which are as follows:

1) PRIMARY INDUSTRY

It is a nature-oriented industry. The products of primary industry may be used as the input of secondary industry. Primary industries are of three types. These types are as follows:

i. **Agriculture industry:** This includes farming and cultivation of land. The quality of products depends on many factors such as fertility of land, climatic conditions, rainfall etc.

ii. **Extractive industry:** Extractive industries are engaged in drawing out products from natural resources, i.e. soil, air and water. E.g. Extracting oil and minerals from underground, fishing etc. Generally, the products are in raw or crude form. They are used by manufacturing and construction industries for producing finished products. The products in crude form may be sent to other industries for further processing.



iii. **Genetic industry:** Genetic industries are engaged in reproduction and multiplication of plants and animals. E.g. Animal husbandry, sericulture, horticulture etc.

2) SECONDARY INDUSTRY

These industries convert the raw material provided by primary industry into finished products. Hence, they depend on primary industries. E.g. Tomatoes provided by primary industry are used for making sauce and ketchup. Secondary industries are of two types. These types are as follows:

- i. **Manufacturing industry:** These industries are engaged in transforming raw material (provided by primary industry) into finished products with the help of machine and manpower. The final goods may be capital goods or consumer goods. E.g. Textiles, sugar, paper industry etc.
- ii. **Construction industry:** These industries are engaged in the construction of buildings, dams, bridges, roads, tunnels, canals, etc. Unlike other industries, construction is the only industry which creates immovable wealth. This is because goods made and sold by this industry are at one place. In case of other industries, it is possible to produce goods at one place and sell them at another place.

3) TERTIARY INDUSTRIES

These industries provide support services to primary and secondary industries. In simple words, tertiary industries provide various service facilities to other industries. The services include transport, banking, etc. under traditional category whereas in modern times, hotel industry, tourism industry, entertainment industry etc. are also included in this industry.

SMART RECALL



Industry: Concerned with production of goods and providing services. Generates form utility.

TYPE OF INDUSTRY

1) Primary industry (Nature-oriented industry)

- i. **Agriculture industry:** Farming and cultivation activities
- ii. **Extractive industry:** Draws out products from natural resources
- iii. **Genetic industry:** Engaged in reproduction and multiplication of plants and animals

2) Secondary industry (Converts raw material into finished products)

- i. **Manufacturing industry:** Transforms raw material provided by primary industries into finished products with machine and manpower



ii. Construction industry: Constructs buildings, dams, bridges, roads etc. It creates immovable wealth.

3) Tertiary industry (Provides support services to primary and secondary industries)

E.g. transport, banking, hotel industry, tourism industry, entertainment industry etc.

9. Explain the concept of trade.

Ans: Commerce is that part of business activity which is concerned with distribution of goods and services produced by industry. Commerce is further divided in trade and auxiliaries to trade.

MEANING OF TRADE

Trade is an exchange of goods and services with money or money's worth. In other words, it denotes buying and selling of goods and services. Trade facilitates transfer of ownership and possession of goods and services from seller to the buyer. With trade, goods are made available to consumers in different markets.

CLASSIFICATION OF TRADE

Trade is classified into home/ internal trade and foreign/ external trade. It is further divided into various categories. The classification of trade can be explained as follows:

1) HOME TRADE/ INTERNAL TRADE

When trade (buying and selling of goods and services) takes place **within the geographical boundaries** of a country, it is known as home or internal trade. This type of trade is conducted with local currency. It is further divided as follows:

i. Wholesale trade: In wholesale trade, goods are purchased and sold in bulk. A wholesaler purchases large quantities from the producers and sells in small quantities to the retailers. A wholesaler is the link between the producer and the retailer.

ii. Retail trade: It is associated with the sale of goods to the final consumers. A retailer is the one who purchases goods from the wholesaler (or sometimes directly from the producer) and sells them in smaller quantities to final consumer. Retailer is the link between wholesaler (or sometimes manufacturer) to the ultimate consumers.

2) FOREIGN TRADE/ EXTERNAL TRADE

When trade takes place **between different countries**, it is known as foreign or external trade. When boundaries of two countries are crossed, then different currencies are used. In simple words, this type of trade involves the use of foreign currency. It is further divided as follows:



- i. **Import trade:** When goods and services are purchased from another country, it is called as import trade. E.g. India imports (purchases) crude oil from Saudi Arabia.
- ii. **Export trade:** When goods and services are sold to buyers in foreign country, it is called as export trade. E.g. India exports (sells) raw cotton to China.
- iii. **Entrepot trade:** It is the combination of import and export trade. It involves importing the goods from one country and then reselling these goods to another country. E.g. Indian seller importing goods from Japan and then re-exporting the same goods to Africa is an example of entrepot trade.

10. State the role of auxiliaries to trade in trading activities. (T)

Ans: Commerce is that part of business activity which is concerned with distribution of goods and services produced by industry. Commerce is further divided in trade and auxiliaries to trade.

MEANING OF AUXILIARIES TO TRADE

Auxiliaries to trade or aids to trade refers to all those activities that facilitate smooth flow of goods from manufacturing centres to the consumption centres. They help in removing hindrances that arise during the production and distribution of goods and services. In simple words, auxiliaries to trade play supportive role to ensure smooth trading activities.

Following are various auxiliaries to trade:

1) **TRANSPORT**

The goods are produced at one place while they are demanded over a wider geographical area. Hence, it is required to send goods to different places where they are demanded. Modes of transport facilitates movement of men and materials from one place to another.

Note: Transport creates place utility. Place utility is a utility created through availability of goods or service at a particular place.

2) **WAREHOUSING**

There is a time gap between production and consumption. This is because certain goods are produced throughout the year but consumed only in a particular part of the year and vice versa.

E.g.:

- i. Umbrellas are manufactured throughout the year but mainly demanded during rainy season.
- ii. Mangoes are produced only in one season but are demanded throughout the year.



Therefore, it is important to store the goods carefully from the time of production to the time of sale. Further, special arrangement must be made to prevent the loss or damage. Warehousing makes it possible to store the goods properly and hence, creates time utility. Warehouses are also called 'godowns'. Due to warehousing facilities, prices of goods are maintained at reasonable level as these facilities ensure that there is continuous supply of goods and services to satisfy the demand. In today's era of mass production, storage is vital for any business. Warehousing helps to meet this function of the business.

Note: Time utility is utility created through availability of good/service at particular time.

3) INSURANCE

There are various risks involved in the business. Goods may be destroyed while in production process/transit (due to accident) or in storage (due to fire or theft) etc. The businessmen prefer to cover these risks, i.e. protect themselves from such risks with the help of insurance. Businessmen insure their goods by paying regular premiums as per their insurance policy. In return, insurance companies undertake to compensate the loss suffered due to such risks. Although risks cannot be avoided completely, they can be minimized with insurance.

4) BANKING

Money is required for starting the business as well as for running it. Banks provide businessmen with adequate and timely finance (money). They provide loans, overdraft, cash credit etc. to businessmen. Banks also provide other services such as cheques, drafts, debit cards, credit cards, online transactions etc. All these banking facilities help in smooth functioning of business activities & trade.

5) ADVERTISING

Advertising is effective aid in selling the goods. The producer can communicate all information about goods and services with the help of advertisements. It helps to create a strong desire in minds of consumers to buy the products. Advertising activities can be indoor and outdoor. Communicating with the people when they are in their homes is called indoor advertising. (E.g. newspaper, radio, TV etc). Communicating with people when they go out from their homes is called as outdoor advertising. (E.g. posters, hoardings at prominent places, neon sign board, advertisement behind buses etc). Advertising influence consumers to buy the products and hence, stimulates trade.



GG - Gyan Guru

Since many years, companies hire celebrities as 'brand ambassadors' to advertise their products. These celebrities charge a huge amount to the companies for endorsing the products. But it also gives a lot of benefit to companies in terms of increasing brand awareness & achieving higher sales.

6) MERCANTILE AGENTS

It is not possible for seller to contact all the customers since they are scattered over a very wide area. This difficulty is solved by mercantile agents. These agents bridge the gap between buyer and seller. Brokers, estate agents, wholesales, retailers etc. are some examples of mercantile agents.

7) COMMUNICATION

In today's world, there is information explosion. The different market participants such as traders, producers and consumers need to communicate information among themselves. They are able to exchange information through various means of communication such as cell phones, postal services, email etc.

SMART RECAP



(Q.1, 9 and 10)

Commerce: Concerned with distribution of goods and services produced by industry.

CLASSIFICATION OF COMMERCE:

1) Trade (exchange of goods and services with money or money's worth.)

i. Home trade/ Internal trade (within the country)

a. Wholesale trade: Purchase in bulk from manufacturers and sale to retailers

b. Retail trade: Purchase from wholesalers and sale to final consumers in smaller quantities

ii. Foreign trade/ External trade (with other countries)

a. Import trade: Purchasing goods/services from other countries

b. Export trade: Selling goods/services to other countries

c. Entrepot trade: Re-exporting imported goods/services

2) Auxiliaries/ aids to trade (all activities that remove hindrances to trade)

E.g. Transport, Warehousing, Insurance, Banking, Advertising, Mercantile agents, Communication etc.



11. Give comparative analysis of business, profession and employment. (T)

Ans:

Business	Profession	Employment
1) Meaning		
Business is a systematic attempt by business persons to produce goods and services and sell them in the market, with a view to earn the reward in the form of profit.	Profession is that part of economic activities under which a person uses his educational knowledge and special skills to render services for earning some income.	Employment is an economic activity in which people work for others.
2) Reward/ Return		
Businessmen earn profit.	Professionals charge fees for providing expert services.	An employee receives wages or salary.
3) Capital investment		
Capital investment depends on size and nature of business.	Limited capital investment is required, except for the self-employed professionals.	No capital investment is necessary. The employer provides all facilities and resources to employees.
4) Nature of work		
It provides goods and services to the public.	It renders personalized expert services.	Employees perform the work as per their service contract.
5) Qualification		
No minimum qualification is prescribed.	Expert knowledge and training in a particular field is needed.	It is prescribed by the employer.
6) Decision making		
Businessmen are free to take the decisions.	Professionals take expert decisions in their profession.	Employees only take decisions related to their work.
7) Risk		
Profit is uncertain and irregular. Hence, there is high risk in business.	Fees are generally not certain and regular. Hence, profession involves certain degree of risk.	Fixed and regular pay is given by employer as per contract. Hence, no risk is involved.
8) Examples		
Builders, Printers, Book stores etc.	Doctor, CA, Lawyer etc.	Clerk, Teacher, Officers etc.



Q.2. Distinguish between (T)

1. Industry and Commerce

Industry	Commerce
1) Meaning	
Industry implies the economic activities that are associated with the conversion of resources into goods that are ready for use.	Commerce is that part of business activity which is concerned with distribution of goods and services produced by industry.
2) Nature	
It is engaged in production of goods and services.	It is engaged in distribution of goods and services.
3) Location	
It is located in factories and workshops.	It is conducted in markets and offices.
4) Utility	
It creates form utility.	It creates place, time and possession utility.
5) Resources	
It uses machine and manpower.	It requires more manpower.
6) Capital	
Huge capital is required to start industry.	Commerce comparatively requires less capital.
7) Interdependence	
Industrial activities are meaningless without commerce.	Commercial activities cannot be started in the absence of industry.
8) Conducted by	
Industrial activities are conducted by producers and manufacturers.	Commercial activities are conducted by traders, mercantile agents etc.
9) Status	
Industry is of primary importance.	Commerce is of secondary importance.
10) Classification	
It can be classified as primary, secondary and tertiary industry.	It can be classified into trade and auxiliaries to trade.
11) Market force	
It represents supply side of market.	It represents demand and supply side of market.



2. Business and Commerce

Business	Commerce
1) Meaning	
Business is a systematic attempt by business persons to produce goods and services and sell them in the market, with a view to earn the reward in the form of profit.	Commerce is that part of business activity which is concerned with distribution of goods and services produced by industry (business).
2) Concept	
It is a broader concept as it includes commerce.	It is a narrow concept as it is a part of business.
3) Skill	
It requires technical as well as marketing skills.	It requires only marketing skills.
4) Classification	
It is classified into industry and commerce.	It is classified as trade and auxiliaries to trade.

3. Business and Profession

Refer Q.1. - 11.

4. Employment and Profession

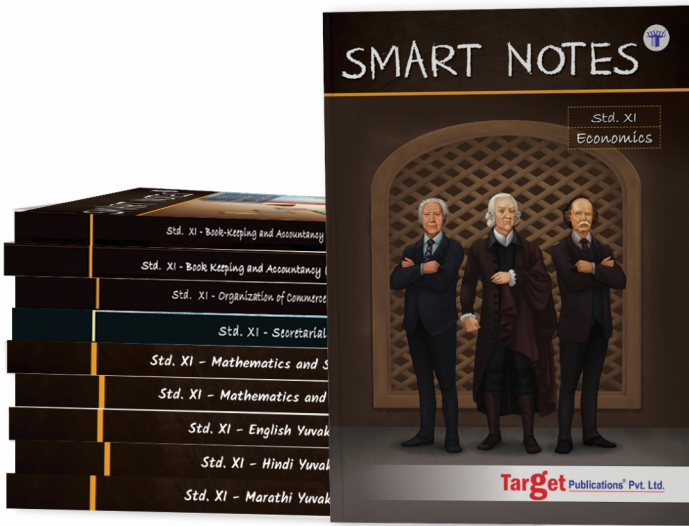
Refer Q.1. - 11.



Std. XI

SMART NOTES

COMMERCE



Available Subjects:

- Book-Keeping and Accountancy
- Book-Keeping and Accountancy (Practice)
- Economics
- Organization of Commerce and Management
- Secretarial Practice
- Mathematics and Statistics - 1
- Mathematics and Statistics - 2
- English Yuvakbharati
- Hindi Yuvakbharati
- Marathi Yuvakbharati

BUY NOW

Salient Features

- Handwritten style of books for theory subjects
- Detailed explanation of concepts with practical examples
- Exhaustive coverage of textbook & additional questions
- Multiple tools & tricks provided to memorize content

Target Publications® Pvt. Ltd.

88799 39712 / 13 / 14 / 15

mail@targetpublications.org

www.targetpublications.org